

Promoting Youth Employment & Entrepreneurship: A Study with Special Focus on 'Startups'

NLI Research Studies Series
No. 141/2020

Dhanya M.B



V.V. Giri National Labour Institute

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V.V. Giri National Labour Institute
(Ministry of Labour & Employment, Govt. of India)
Sector -24, Noida - 201301

ISBN: 978-93-82902-71-3

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No. of Copies : 300

Year of Publication : 2020

This document can be downloaded from the Institute's website at www.vvgnli.gov.in

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Printed and Published by V.V. Giri National Labour Institute, Sector-24, Noida-201301, U.P.

Printed at: Chandu Press, D-97, Shakarpur, Delhi-110092

Foreword

This exploratory research study is envisaged investigation on startups samples to explore the objective of employment generation and examines the role of educational institutions in creating an ecosystem for the young population to facilitate entrepreneurship. This study is significant in the context of growing educated unemployment and increasing youth labour force. Considering the demographic dividend in the country, the importance of promoting innovation and entrepreneurship cannot be ignored since it is an effective alternative opportunity to create employment. In addition to that the sustainable development goal 8.3 mentions the policy interventions to promote entrepreneurship/innovation to generate employment and also clearly indicates the significance of social enterprises to facilitate a world with fewer inequalities.

Based on the field survey and case studies along with secondary literature, the study mainly explores the effectiveness of the startup initiative of the government of India and also discuss how the current policy surrounding the country's context to the growth of youth employment generation opportunities. The study begins with contextualizing the situation and explaining the significance of youth involvement in startups and attempts a detailed analysis of the theoretical perspectives and emergence of startups in India. Then, procedures and regulatory process, schemes and programmes, exploration of various issues and challenges of employment provision, and role of academia to create an ecosystem highlighted in a detailed manner. While the government has been actively trying to facilitate ease of doing business and formulating well informed policies focusing on implementation strategies, however, the urgency of these well-designed policies to reach out of the young population need to be given attention on a priority basis and at a rapid pace.

This research report is an insightful resource to youth and labour market studies since there are very few literature specifically on young people and startups and it would be of immense interest not only to the policymakers but also academicians and others working in this area and enables us to comprehend the entrepreneurship/innovation trends and challenges among Indian youth.



(Dr. H Srinivas)
Director General

Acknowledgement

I am grateful to Shri (Dr.) H Srinivas, Director General, VVGnLI, NOIDA for his encouragement and support to complete this study. I extend my thanks to the experts and policymakers from the Ministry of Labour & Employment (MoLE) and also from different ministries involved in the meeting chaired by the Secretary, MoLE during the presentation of my research study titled "*Quality Employment Generation in Micro and Small Enterprises (MSEs) in India: Strategies and Way forward*" at MoLE on 12th September 2018. The inputs received from this discussion on MSEs prepared me to contemplate on employment and related issues on startups.

I would also like to thank the experts and participants who were attended in the dissemination Workshop on 'Startups and Young Entrepreneurs: Opportunities and Challenges' on 28th February 2020 at VVGnLI. My sincere thanks to Dr. S K Sasikumar, Senior Fellow, VVGnLI; Ms. A Srija, Economic Adviser, Ministry of Finance, GoI; Ms. Radha R Ashrit, Statistical Adviser, Ministry of Science & Technology, GoI; Ms. Shivangi Jain, Invest India; Prof. M S Farooqui, Ambedkar University, New Delhi; Shri V.K Mishra, PhD Chamber of Commerce and Industry; Dr. Malika Basu, Proprietor- Development initiative for change; for their intellectual inputs provided during discussions that have helped me in enriching this study.

I am grateful for the tremendous support extended by all the VVGnLI Faculty colleagues, officers, staffs and all my project staffs associated with this project duration especially Ms. Shraddha Rishi, Mr. Amrinder Singh, Mr. Sango Bidani, Mr. Deepak George to mention a few names. Sincere thanks to Shri Harsh Singh Rawat, Administrative Officer and Shri S.K Verma, Asst. Library Information Officer; Mr. Rajesh Karn and also the entire publication section for their support.

Moreover, I remain indebted to the interviewee who took time from their work & shared their information and experiences to the entire project staff. Finally, I would like to thank my friends and family especially Dr. P Sivakumar, and my son Aarjav Sivakumar for all their support and encouragement throughout this research work.

(Dhanya M.B)

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CHAPTER 1

Youth Employment and Entrepreneurship: Situational Analysis

1.1 Background

Since 1995, global youth unemployment has been approximately three times that of adult unemployment rates (ILO, 2015) and more proportion of young people are underemployed or low paid if at work (OECD, 2019). In developing countries, youth are mostly affected by working poverty due to the irregularity of work and lack of formal employment (ILO, 2015). Nevertheless, in the Indian context there has been a rise in the high-skill segment over these years, but simultaneously rise in low-skill wage work is a major concern as well (ILO, 2017). Further, a large share of Indian youth finds themselves not in education, employment or training (NEET). These are particularly worrisome because inactivity at an early stage in life negatively impacts employability, future earnings and access to quality jobs (ILO, 2016). More than 30 percent of Indian youth are not in education, employment or training, this inactivity is three times more than China (11.22) and more than double the OECD average (14.56) (See Appendix 1).

In India, employment generation is a major discussion and concern of public policy ever since independence. There have been major transformations in the economy brought about in the last three decades by globalisation process and rapid integration with the global economy. Few studies shows that globalisation is creating employment opportunities (Kaliappa & Kanhaiya, 2009). However, while considering the labour-intensive growth path in India, globalisation did not achieve much success in employment generation. Moreover, the share of informal sector employment and the distribution of informal workers within the formal sector have also increased substantially (Dhanya, 2013). Even though the informal economy in India has been playing an important role in national income, the changing market conditions lead to pressures for greater flexibility in the employment and utilisation of labour. It leads to a reduction in employment security and an overall deterioration in the quality of employment (Papola T S, 2005). There are various challenges for youth to enter into the labour market in the era of subcontracting due to globalization. The number of people engaged in informal employment has risen in the past and

this also led to engage in multiple jobs to meet their ends (Husain 2014). Youth are likely to be over represented in precarious jobs, like temporary and informal jobs, which are normally short-duration jobs with limited stability (GoI, 2012). Most of the studies suggest that people, who undertake multiple jobs are younger, less educated, are faced with lower wage rates and live further away from towns (Unni J, 1992 & Husain 2014). At present, multiple-job holding is also more common in developing countries.

Many countries are looking into youth entrepreneurship as a means of reducing youth unemployment (Eurofound, 2016), including India. Government of India has introduced many employment generating schemes either promoting entrepreneurship or wage employment, and also 'Skill India' scheme to train over 40 crore people by 2022. 'Startup India', one of the important initiatives by the Government of India to promote startup ventures to boost youth entrepreneurship, and encourage start-ups with job creation is facilitating ease of doing business. As youth are the driving force behind most of the innovations and creations, it can also be a huge talent base for startups.

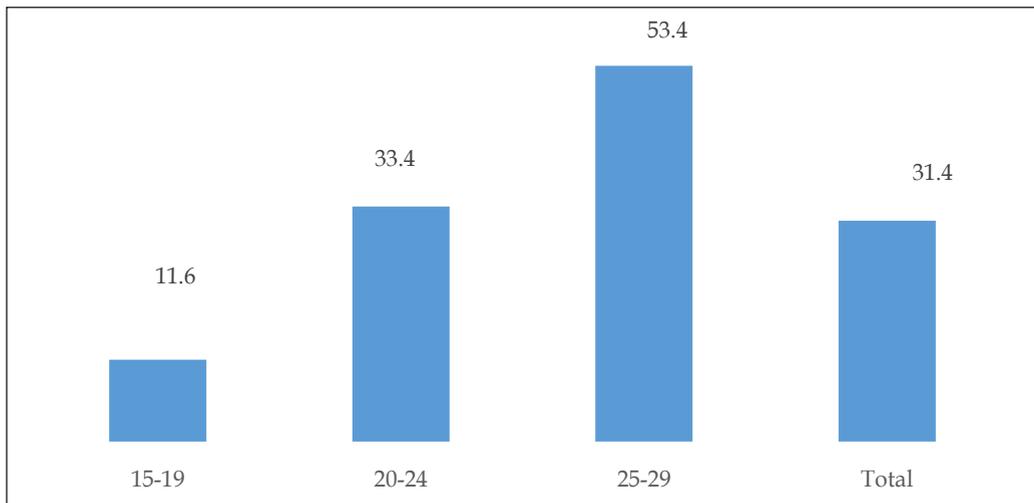
In the changing world of work, innovative ideas mostly originate through emerging startups, for example, Ola and Uber and their innovative model created many jobs in the Indian labour market but, on the other side, this innovation leads to new forms of employment. Some of the challenges they entail has therefore required policy action and also it plays an important role in shaping the future of work. Nonstandard workers; mostly include self-employed, temporary and part-time and platform workers; and at the global level, one in seven workers is in self-employed and one in nine employees is on a temporary contract (OECD, 2019). Hence, the standardization of self-employment/ entrepreneurship is one of the most important strategies of the development organizations around the globe and in India as well. Thus, considering the youth bulge and the unemployment/ underemployment situation in India, it is significant to unfold the prospects and problems of youth employment and entrepreneurship to explore the economic soar, provided invest in their education and skill.

1.2. Situational analysis

According to the National Youth Policy of India, youth is defined as persons aged 15-29 years and it is accounted for 30 percent of the total population. Young people's work participation rate (WPR) represents a total of 31.4 percent and the highest (53.4 percent) WPR is witnessed in the age group

of 25-29 years. However, increase in enrollment of youth in higher studies due to lack of job opportunities according to their aspirational level in the labour market is cited as one of the major reason for the declining labour force participation among the youth (PLFS, 2017). Figure 1.1 presents the workforce participation rate of youth across age groups.

Figure 1.1: Work Force Participation Rate (WFPR) of Youth across Age groups

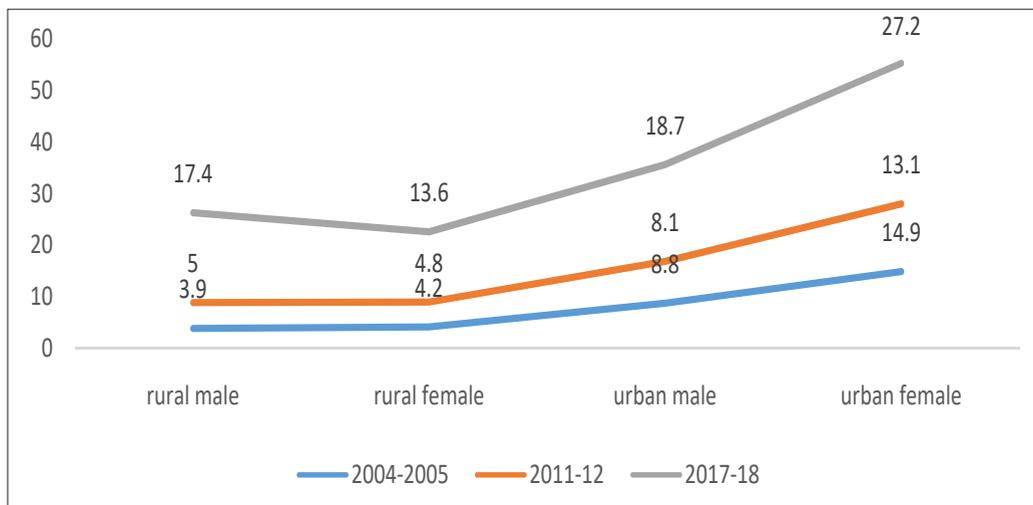


Source: PLFS-2017-18,(in percent)

The unemployment rate among the youth is much higher over these years, but the following figure shows that recently there is a sudden increase in rate. This increase is larger for young female relative to young men. It points out the prevailing

educated unemployment in the labour market, particularly young job aspirants. During the last two decades, the unemployment rate among young women increased much higher rate than young men (figure 1.2).

Figure 1.2: Unemployment rate among the youth

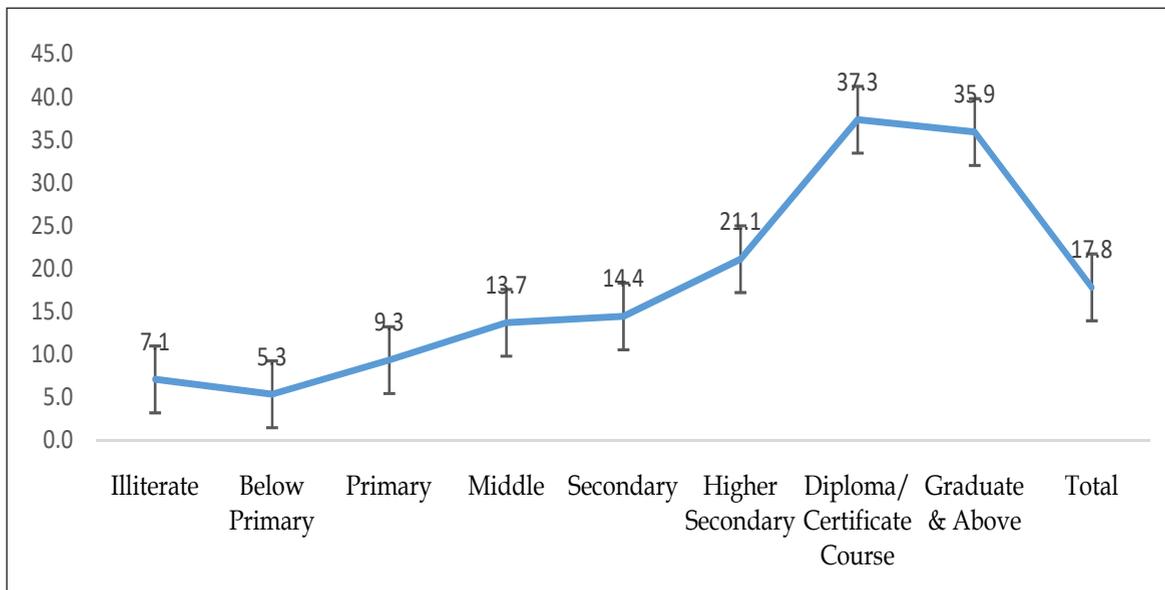


Source: Various NSSO Rounds & PLFS 2017-18, usual status (ps+ss).

Simultaneously, the distribution of persons by educational classification according to unemployment rate shows that graduates and above are much high. In the case of less-educated persons, the unemployment rate was estimated at less than seven per cent. According to the PLFS

Report unemployment rate ranged from 9.7 to 15.2 per cent between 2004-05 and 2011-12 which rose to 17.3 per cent in 2017-18 for educated rural females. The same for urban areas ranged between 10.3 per cent (2004-05) to 15.6 per cent (2011-12) which rose to 19.8 per cent in 2017-18.

Figure 1.3: Unemployment Situation among Age Group 18-29 by General Education

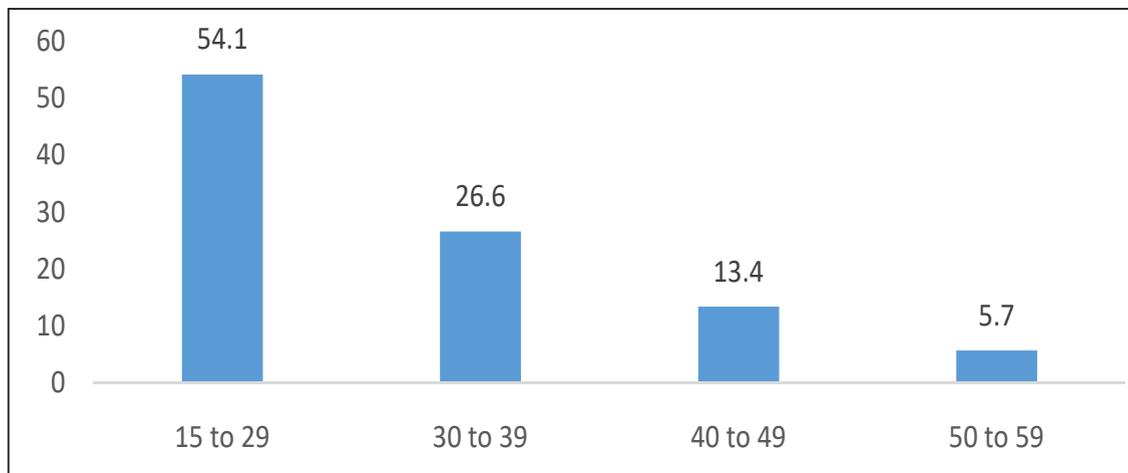


Source: PLFS 2017-18

Among the total population in India, other than 1.8 formal and 5.6 informal¹ training received, the rest of the population didn't receive any vocational/technical training so far (PLFS, 2017-18). However, more than half of the 15-29 years youth received formal vocational/technical training is

a significant achievement but at the same time, a large share of them was either unemployed or out of the labour force (see figure 1.5). Percentage of the population that received formal vocational/technical education across age groups is shown in figure 1.4 below:

Figure 1.4: Formal vocational/technical education across age groups



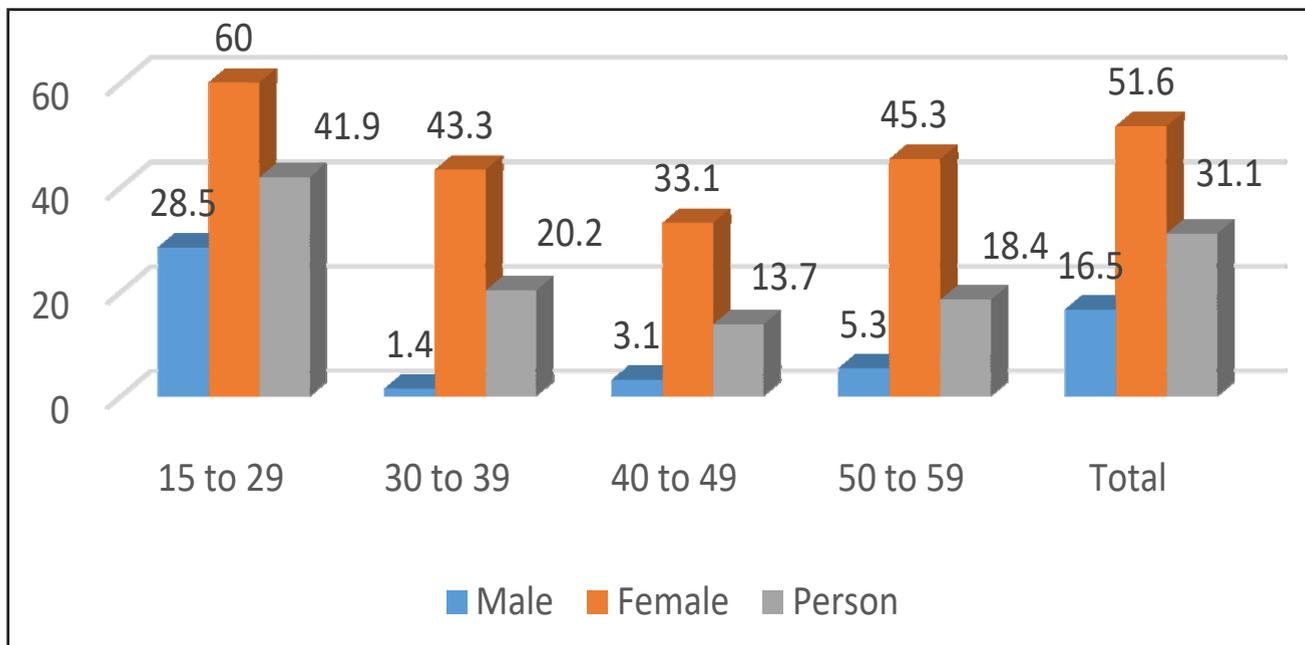
Source: PLFS 2017-18, (Population %)

Among the 54.1 per cent of youth receive vocational/technical training, 42 percent of the youth (28 percent of the young men and 60 percent of the young female) were not part of the labour

force² at all and also a substantial share of women were out of the labour force in all age groups (see figure 1.5 below).

¹ hereditary, self-learning, and on the job training

² they were not working or seeking employment opportunities.

Figure 1.5: Vocational/technically training population who were out of the labour force

Source: PLFS 2017-18, (Percent)

For a variety of reasons, especially considering the large share of trained youth out of the labour force and unemployment situation in India; it is very hard to make the youth to face the challenges and provide the facility to enter into the job market. Finally, the challenge for legal policy is to strike the right balance between economic growth and employment creation considering the context of demographic dividend.

1.3 Entrepreneurship or Self Employment - An alternative strategy?

Entrepreneurship has the potential to increase economic development (Monsen; Mahagaonkar; Dienes, 2012). Many researchers believe that entrepreneurship can create wealth, employment and contributes to government taxes and hence it can lead to development (GEM 2014). The environment of a country's economy and its institutions has an impact on entrepreneurial activity. It affects the "quality of governance, access to capital and the perceptions of entrepreneurs" (Acs, Desai, Hessels, 2008). Discussing the field of development economics and entrepreneurship, Naudé states that, though the absence of entrepreneurship may not restrict development but its presence can be vital for

"economic development because many of the most binding constraints are channeled through entrepreneurship" (Naudé, 2010) and hence the governments across the world are promoting entrepreneurial activity (OECD, 2013).

The relationship between self-employment and entrepreneurship is not that straight forward. Monsen, Mahagaonkar and Dienes (2012) have found that an increase in self-employment rate reduces transitioning and nascent entrepreneurship rates. High self-employment rate is indicative of competition and hence plays a role in reducing entrepreneurship. They also found that in Indian states that have a higher State Gross Domestic Product (SGDP), individuals are more reluctant to switch to self-employment but they did not find a significant decrease for nascent entrepreneurship (Monsen et al, 2012). A similar trend was found for unemployment rate in relation to transitioning to self-employment and nascent entrepreneurship. It is noted here that self-employment and entrepreneurship are distinct concepts. Though both are entrepreneurs, persons who are self-employed do not employ others under them where as entrepreneurs employ other workers under them. In this way, it can be said that "those who are self-employed with employees are more

entrepreneurial – they assume the additional risk of employing others –and therefore this category could be regarded as a more useful measure indicating the potential of entrepreneurial activity (Eurofound, 2016).” Hence, an entrepreneur without any workers is self-employed persons and entrepreneurs who employ paid workers are proper entrepreneurs. At the global and national policy agenda, promotion of youth entrepreneurship has gained significance as a way to encourage employment and earning opportunities (OECD, 2017). Entrepreneurship cannot be promoted in isolation and government support is essential for their germination and growth (Avasthi 2011; Dhanya 2018).

1.4 Entrepreneurship through startup ventures

Although the Startup India scheme has been launched recently, the concept of startup is not new to India. Various studies have been undertaken to study the emergence, survival and growth of startups in India. Dinesh Avasthi (Avasthi, 2011) in his paper, “Approaches to Entrepreneurship Development: An Indian Experience”, documented various governmental efforts taken from time to time to encourage entrepreneurship in India like concessional finance, exclusivity of 675 products for MSME sector, infrastructure facilities through Export Processing Zones (EPZ) and industrial parks, marketing support through National Small Industries Corporation, Performance and Credit Rating Scheme and credit support through MUDRA bank .

The new policy directions on entrepreneurship through start-ups by the government points out the fact that job creation has been given prime thrust and start-ups can be a boosting force in this direction. This is evident in the fact that the incentives affecting start-ups in the Union Budget from 2017 include the following (Start-up India 2017): 1) Proposal to reduce the Income Tax rate for companies with an annual turnover of up to INR 50 crore to 25%. This would provide Micro Small and Medium Enterprises (MSME) a reduction of 5% from the current applicable rate of 30%. 2) The Government has announced that a Start-up would be able to avail income tax exemption for

3 consecutive assessment years out of a block of 7 years. Many more initiatives have been done in consecutive years for startups. Economic growth and employment are achieved through promoting entrepreneurship and entrepreneurs are encouraged to innovate across industries which boost livelihood options available in the area.

1.5 Role of Academic Institutions in the growth of Startups:-

Entrepreneurship Learning in the academic institutions play an important role not only the growth of startups but for the economy and society as a whole (Hahn et.al. , 2017). Entrepreneurship skills, attitude and traits can be developed through pedagogical activities, processes and courses among students (Bae et.al. 2014, Fayolle and Lassas, 2006). The universities not only encourage students to take new ventures but also promote entrepreneurial thinking so that ideas can be converted into actions (Leitch, Hazlett and Pittaway, 2012; Mustar, 2009). Universities are provider of technological knowledge critical for innovation and economic growth (Mian 2011; Markman et al. 2005) ranging from simple skills like math, budgeting, panning marketing and saving to providing important lessons about value of failure, ethical decisions, negotiating and networking (Abel, 2016).

The importance of the role played by universities can be seen in a comparative perspective of the research universities and teaching led universities (Abreu et.al.). Research intensive universities are known for the transfer and commercialisation of technical knowledge while the teaching led universities are less intensive on this part (Bonaccorsi et al. 2014). The research oriented universities act as repository of technological knowledge and act as a link between industrialists and the research communities through facilitation of patent procedure, licensing and knowledge intensive spinouts. The teaching led universities on the other hand can play a leadership role in promoting technological clusters through regional capacity building and networking. The research and education related to entrepreneurship also helpful in creating a knowledge base for generation of opportunities for new ventures (Shane, 2000). The universities play an important role opportunity

generation, opportunity discovery, opportunity occurrence and opportunity search by providing prior knowledge base (Alsos, 2004).

The brief review of literature above, unfolds the various aspects and issues being researched and carefully analyzed. But in general, it could be understood that in most of the cases youth are being considered as a tool for facilitating growth especially in the context of the growing young population in India as the National Youth Policy 2014 recognizes they can be used as a means of development. Hence, to tackle demographic dividend it would also be important to examine the current status of entrepreneurship among youth to analyse the intervention strategies to address youth employment. In the specific context of educated unemployment and increasing labour force and low level of work participation in India, an enquiry into the recent startups initiatives with special focus on youth entrepreneurship seems to be pertinent at this juncture.

1.6 Main Objectives

In the subject matter, this study widely examine how the government policies are geared towards creating an environment in which startups flourish and contribute to the growth of youth employment generation opportunities and also analyzing the role of educational institutions to create a startup ecosystem. Concurrently, field surveys and case studies were conducted to examine the provision of employment generation by startups initiatives. Hence, this study generally aims at the effectiveness of the startups initiatives on achieving the employment creation objectives; it is also directly focused on the supply side and demand side aspects of the schemes via educational institutions. The supply side aspect of creating an ecosystem for the young population to facilitate entrepreneurship and the demand side aspect of employment generation is the major discussion of this research. This demand and supply side angle together discuss the general effectiveness of the programme.

Specific Objectives:

- 1) To explore how startups promote employment among youth and understand how the 'startups' make changes over youth in India
 - Study the procedure, regulatory process, and the challenges of startups in India.
 - Are the startups a method for formalisation of entrepreneurship for youth and how youth's economic and social life changes with startups.
- 2) Examine role of universities in creating a new ecosystem to flourish entrepreneurship & innovation.
- 3) To discuss the current policies surrounding startups and how the government policies are geared towards creating an environment in which startups flourish and contribute to the growth of youth employment generation opportunities.

1.7 The method, Data and Framework

This study is based on primary and secondary data. This exploratory research work envisaged investigation among 48 startups samples in the different part of Delhi-NCR region for the collection of primary data. Separate case studies and Focus Group Discussions (FDGs) has been done for analysing the situation more detailed manner. Startup samples include only the registered firm or companies which are registered with startup under DIPP of Ministry of Commerce and Industry, Govt. of India. The details of Delhi- NCR startups were collected from the list of official startup India website of the government of India during the field survey. For employment generation details, the study is based mostly on primary data and the researcher had to depend on the information given by the respondents. While collecting details from the official website, it was found that few startups were not functional and also the researcher couldn't trace them out with the given address.

Details of the selection of the sample is given below. The startup work under four stages namely- Ideation, Validation, Early Traction and Scaling; and also the operation of Startup comes under 49 Industries.

Stages of Operation Startup in Delhi-Noida:

Measures by	Ideation	Validation	Early Traction	Scaling	Total
Numbers	689	1797	1447	386	4319
In Percentage	15.95	41.61	33.50	8.94	100.00

Sources: Startup India Website, 2018(accessed on 6th Oct 2018).

In this study, the researcher tried to keep the ratio of samples as almost same as the stages of the operation of startups on 6th October 2018 but excluded ideation stage. Sample details as follows:

	Ideation	validation	Early Traction	Scaling	Total Startup sample
Total percent	16	42	33	9	100
Number of Samples	...	24	19	5	48

The field survey was conducted from October 2018 to January 2019. Information was collected through the direct interview method. Moreover, among the 48 accessible startups interviewed, the representation was selected from young entrepreneur located in NCR-Delhi, wherein

personal interviews of individual entrepreneurs were conducted, and also interview organized with young people in a safe environment where they could express themselves freely. Only successful startups were included in the sample, the researcher couldn't include the information on failed startups. Though the researcher tried to get information on failed startups through various RTIs, no information has been received from any of the incubators. Secondary data collected from several governmental sources such as periodicals, census, NSSO etc.

1.8 Limitations of the Study

One of the main limitations of this research is it is confined only on 48 startups due to the resource constraints. But still, this exploratory study comes out with many new areas of research to explore in future. The researcher tried to avoid the high successful startups among Delhi and Noida and confined other than high profile startups as per their availability for interviewing employment generation and other details. Hence, the field survey has been done among such startups which are not included in any high profile or big players such as Zomato, Paytm, OYO, to mention a few. With all these limitations, the generalization of the inferences of this study has to be done with maximum care. Therefore, the conclusion of this study is indicative rather than imperative.

Chapter II

Theoretical Perspectives on Entrepreneurship/Startups

2.1 Theoretical discourse

There has been renewed interest among the academicians to study various perspectives regarding Startups. The term 'Entrepreneurship' has a history that dates back to 1732 when the Irish economist Richard Cantillon used the word in reference to individuals with 'a willingness to carry out forms of arbitrage involving the financial risk' of a new venture (Minniti and Levesque, 2008). Defining entrepreneurship is one of the difficult tasks as there has been no consensus over the basic attributes and functions of the entrepreneur among the scholars, and thus any definition of entrepreneurship reflect individuals point of view (Oviawe, 2010). There are two contrast views about the origin of entrepreneurship, one holds entrepreneurship as an intentional and reasoned activity, and the other assumes it a result of impulsive and heuristic activities. The first view is supported by Entrepreneurship Intentional Model (EIM) given by Krueger, who was one of the first to foresee the entrepreneurial events as a result of interacting situational and social-cultural factors (Krueger, 1993; Krueger and Brazeal, 1994; Krueger et al., 2000).

Recently, a context-based study has been added to the EIM, so that the entrepreneurship model has become more precise and accurate. It proposes that each entrepreneurial event occurs as a result of a dynamic process providing situational momentum that has an impact upon individuals whose perceptions and values are determined by their social and cultural inheritance and their previous experience (Elfving et.al, 2011). Some others suggest that only regions with specific cultural tendencies will engender a strong entrepreneurship orientation (Lee and Peterson, 2000). Thus, one conclusion may be drawn that public policies based on a better understanding of the region-based social attitude of entrepreneurship are more likely to be successful (Loveridge et.al., 2012).

The other view about entrepreneurship is proposed by Learner et.al. and explains entrepreneurship is more related to unreasoned and impulsive actions which can and do result in entrepreneurial outcomes (Learner et.al. 2018). Lerner argues that entrepreneurship is birthed by wide assortment logic- ranging from deductive, causation based reasoning, to heuristic and effectual reasoning altogether to a shifting blend of all types (Lerner

et.al. 2018). Prominent entrepreneurs like David Neeleman, Richard Branson and Paul Orfalea have admitted that their disinhibitory and highly impulsive activity has been central to their entrepreneurial action and resultant success (Branson, 2002, Hantula, 2006, Orfalea and Marsh 2005). Similar diversity of opinion is also there about the basic decisive attributes to be an entrepreneur. On one hand, American researchers have taken the individualistic approach while discussing the basic attributes required for an entrepreneur. Thus, they give primacy to the personality traits having a decisive impact over the entrepreneurship. On the other hand, for the European researchers; the institutions are more important as a driving force behind starting a new business (Brush et'al. 2008).

The basic decisive attributes to be an entrepreneur is one of the widely debated questions for a long time and also another related equally debated question is whether entrepreneurs are born or made. Some narrates entrepreneurs having inborn qualities, for example, McClelland narrates psychological traits playing determinant role in deferring entrepreneurs from non-entrepreneurs (Clausen, 2011), while for others, the social context is more important for entrepreneurship, for example, Max Weber has maintained the primacy of cultural context as a driving force behind entrepreneur (Schumade et.al, 2008). The argument of cultural context led by Weber has been widely criticised because it has only contextual importance and it applies to only Europe (Favillonar and Peters, 1973). The other argument led by McClelland which seems to be more universal than Max Weber, it does not apply to the developing societies since there is no freedom to adopt occupation in these societies and the psychological traits cannot always be converted into entrepreneurship (Favillonar and Peters, 1973). Additionally, behavioural research has also invalidated the trait approach, and it maintains that entrepreneurship is a set of activities. Moreover, the Resource-Based Theory has also challenged the trait approach, and it gives more importance to the resources which the entrepreneurs have access to than the entrepreneur as a determinant of entrepreneurship (Alvarez and Busenitz, 2001).

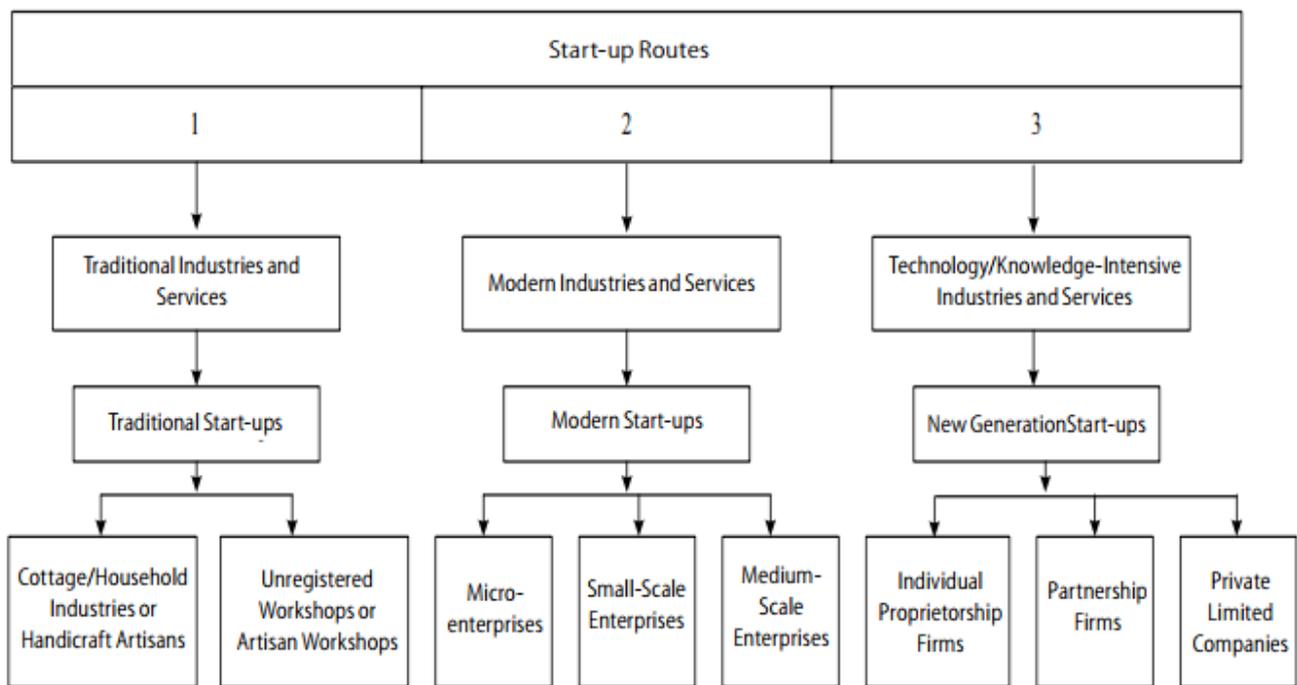
2.2 Emergence of startups in India

The startups of the earliest form were the cottage industries known as livelihood entrepreneurship, which shifted the traditional economic activity

from agriculture to industry and services. It is also known as village industries whose primary function was to provide ensure non- farm needs of the rural population. Hence, they promote non-farm employment jobs such as shoemakers, handicrafts, carpenters, builders and masons, and other crop processing activities. This was largely influenced by the prevailing market conditions and it is sometimes referred to as the household industry were recognized as 'Own Account Enterprises' (OAEs) when the Economic Census was introduced in 1977. They had a huge contribution in creating employment opportunities. The growth of non-agricultural OAEs between the periods of 1998-2005 had been much faster than the total employment generated by such enterprises. Post-independence economic reforms policy led to the inception of many new ventures led by private players growing steadily year on year basis

known as policy-induced entrepreneurship. In the modernization era, startup evolved to become Small-Scale Industry. The second phase of the start-up growth in India had significantly thus promoted the Small Scale Industrialization. They did sufficient contribution towards employment generation with better wages. The transformational revolution of the Information and Communication Technology (ICT) and free movement of labour and capital in the early 1990s' economic liberalization caused the new era of entrepreneurial activity globally. Several newer ecosystems came into being which mentored the startup-like ICT industries, public sector institutions, technology business incubators and accelerators. The new generation of entrepreneurs is willing to take the risk and these startups are at the crucial stage of evolution. The emergence of start-ups in India is shown in figure, 2.1 below.

Figure: 2.1 Emergence of Start-ups in India



(Source: M H Balasubrahmanya 2015)

2.3 Funding Sources for Startups

Finance is the most integral part of any entrepreneurial activity. Entrepreneurs require capital to develop their idea into products or services, and the investment methods in such companies are evolving and changing. The following are some of the methods by which financiers will represent an opportunity for all start-up companies, thus help them to learn and succeed in the world of start-ups.

a) *Seed accelerators:*

These are fund providers who create an ecosystem where start-up tend to grow and mature. Their objective is to gather as many new ventures which have future prospective and could provide secure jobs so that they can invest in them. In return, they expect good margins, or mass creation of job if it initiated by the government. A seed accelerator consists of experts who have

experience in startups. They are industry-focused and sufficient knowledge of technology and future trends. The difference in taking a loan from bank and funds from seed accelerators is that these accelerators convert their fund into majority stakes in the startups funded by them. They are also known as crowd-funding accelerators. World's most recognized and successful accelerators are Y Combinator and Techstars. They even engage develop industry-focused accelerator (Čalopa, Horvat, & Lalić, 2014).

b) *Startup Boot-camp:*

Accelerators for entrepreneurship program where they provide a wide network of the mentor who will help develop the startups. They are quite selective while investing in companies with the implementation of their ideas (Čalopa et al., 2014).

c) *Fundable:*

Fundable is an online platform source of financing where funds are gathered in forms of charities into small companies. Various amounts are collected to fund different startups and in case of failure the money is returned back to those contributed. This type of financing of capital makes sure those exchanges of money are made fairly (Čalopa et al., 2014).

d) *Seedcamp:*

As opposed to seed accelerators, these venture capital/ business angels financiers present the startups with important insights about the industry before the launch of their product into the markets. This program may provide expertise in the fields of innovation development, marketing, workforce, arbitrators, media support and public relations (Čalopa et al., 2014).

e) *Venture Capital or Business Angel Agency:*

The Private Equity players' investment and the venture capital investment provide the strategic development and growth guideline for any idea that is put forth by the budding entrepreneurs. Sometimes due to lack of entrepreneurship in a country, these agencies support the initiative of self-employment among the youth. This helps in creating the right platform for strengthening investment activities. It continues to collect and manage venture for future endeavours (Čalopa et al., 2014).

f) *Bank loans/ Unsecured loans:*

This traditional source of financing enables the entrepreneur to develop his/her idea initially to further product research and development. The banks have special discounts on interest rates for entrepreneurs in case they find a better prospect of the startup. Unlike seed accelerators, it is devoid of mentoring, wide-networking and other fields entrepreneurial activity expertise. The failure of startup is not subjective to the bank's fund. Timely instalments are needed to be paid back (Čalopa et al., 2014).

2.4 Constraints for Growth of Startups

There may be various reasons causing problems in the growth of the new enterprises and sometimes become the cause of their shutdown. Failure in marketing of the product or services, failure of the business model, inability to get appropriate employees, failure in raising cash and failure in developing a product according to the needs of the market, lack of touch with customers etc. The problems faced by startups can be classified based on the stages of their growth (Churchill and Lewis (1983)). In the stage one of Existence Stage, the organisation is very simple and the strategy is driven by survival and the problems faced at this stage are obtaining customers, delivering the services or the products contracted for. At the second stage, the firm becomes a workable business entity however, the primary goal is still survival driven by the problem of maintaining a balance between the revenue and expenses. At the third "success" stage, the challenge to keep business profitable and stable. The next stage is the "Takeoff" stage and the major problem faced is an adaptation of the ecosystem as the rapidly rising firms are more capable to adapt themselves than the firms at the fifth stage. The successful firms at stage IV are in most cases unsuccessful at stage V mainly because they grow very rapidly or they run out of cash (Churchill and Lewis, 1983).

The indulgence of the entrepreneurs into unproductive activities can lead to restrained growth in new enterprises (Baumol, 1990). Baumol explains that entrepreneurs play a variety of roles in society; they can be categorised into productive like innovation and unproductive like rent-seeking or organized crime. The intensity of these roles depends on the reward structure of the economy and society, tweaking of which can be helpful for the restructuring the activities of entrepreneurs for the sake of high growth of startups (Baumol,

1990). While Beck et.al. suggests that as far as the financial, legal and corruption problems are concerned, they affect all types of business activities in a negative manner but again finds that it is the smaller firms which are affected most (Beck et.al. 2005). Further, he concludes that if the financial and institutional development takes place, and consequently removing the financial, legal and corruption constraints, it is the smaller firms which are benefitted most.

Finding Sources of Funds as a Constraint to Growth:- As far as the constraints in the growth of new enterprises is concerned; there is consensus among the researchers that finding sources of funds is the biggest problem for the startups (Berger et.al, 2011; Hahn et.al., 2016). Financial capital is the positive predictor of self-employment and entrepreneurial success (Blanchflower et.al., Evans and Jovanovic, 1989; Evans and Leighton, 1989; Holtz-Eakin et al., 1994; Hurst and Lusardi). The start-up founders first turn to internal financing sources (their own funds), and afterwards, they use external financing sources (Paul, Whittam and Wyper (2007). Startups need to reveal reliable information about their ability to attract investors during the early financing stages. While Atherton demonstrated that multiple factors influence the decision of a startup founder on the financing sources (formal and Informal). Dzukpa et.al. suggest that sources of finance change at each stage of the development of firms. He suggests that innovation based new firms mostly use bank loans for their industrial activities (Dzupka, 2016). After surviving the first stage of development, the firms get enough courage to procure other sources of funds like business angels and structural funds. Startup companies which collaborate with other firms have better access to funds (Dzupka, 2016).

2.5. Factors Determining the Growth of Startups

According to Global Entrepreneurship Monitor, there are two types of entrepreneurs, opportunity-driven and necessity driven. It is only the opportunity-driven who can make changes in the economy. Opportunities are central to entrepreneurial activities, without opportunities; there is no entrepreneurship (Alsos, 2004). India has a higher number of necessity driven entrepreneurs who are indulged into this activity not because of any opportunity but they are pushed into it out of survival needs. On this basis, Abhijit Bhattacharya calls India a country of default entrepreneurs. For Miller and Miller,

these are the challenges and hardships in life which drives a person into entrepreneurship. The challenges in life create conditions and experiences that motivate particular adaptative requirement and foster the qualities like work discipline, risk tolerance, social and networking skills and creativity that both compel and enable entrepreneurship (Miller and Miller, 2016). In this context, information generation is very important to be able to identify the opportunities by the entrepreneurs. Theoretical and empirical research acts as the introduction of new knowledge into the market-leading to various perspectives surrounding various factors determining the new venture creation and performance of small firms.

The factors determining growth of enterprises can be classified into some internal factors like personality of the entrepreneur, resources, strategy, organizational structure of the firm etc. and some external ones like startups geographical location and policies of the government (Subrahmanya, 2015). Sandberg model of new venture growth finds new venture performance as a function of the entrepreneur, industry structure, and strategy (Sandberg, 1986). In the Sandberg model, other factors of resources, organizational structure, processes, and systems have been included on the basis of study of Chrisman, Bauerschmidt, and Hofer (1998). Again, the factors of entrepreneur's accessibility to resources, choice of opportunity and availability of managerial skills is included (Thakur, 1999). Box, White and Barr have emphasized the psychological characteristics and background of the entrepreneur, scanning intensity and industry dynamics affecting the growth of new ventures (Box et.al., 1993), Baum, Locke and Smith have developed an empirical model to measure the importance of each of these factors combining strategic management theory, organizational behavior theory, organization theory, and entrepreneurship models to form an integrated model of venture growth (Baum et.al., 2001). They find out that venture growth cannot be explained through single domain perspective instead all factors figure in the prediction of venture growth when these total effects are considered. The growth of startups depends upon many factors like finance availability, government policies and programmes, education and training, R&D transfer, commercial, legal infrastructure, internal market openness, access to physical infrastructure, cultural and social norms (Avasthi, 2011).

CHAPTER III

Procedure, Policies and Regulatory Process of Startups in India

3.1 Definition:

The term 'startup' can be best defined as a commercial enterprise which is aiming at a specific market requirement by way of building up a feasible business model involving a novel product, service, process, or a platform. In the Indian context, a startup is defined as an entity incorporated or registered in India not prior to ten years, and with an annual revenue generation not exceeding rupees hundred crores in any preceding financial year. Therefore, an early-stage company solely driven by technology or intellectual property that has been working towards innovation, development, launching or commercialization of new products, processes or services is called startup. Moreover, regarding recognition or tax benefits, no letter of recommendation from an incubator/industry association is required.

3.2 Procedure and Regulatory Process:

Various steps have been undertaken under the Startup India Action Plan to simplify and make the registration and certification process hassle-free for startups and support them through funds and incentives as well as facilitating the interaction between the academia and business community. These steps can be explained as follows:-

a) Registration of startups: The newly established firms can register them on Startup India App or Portal. The later offer as a single-window system for startups to register themselves through a simple form, track the status of the registration application and anytime download the registration certificate. The portal offers a convenient platform for startups as it is integrated seamlessly with the ministry of Corporate Affairs and Registrar of Firms. The mobile app and portal also act as a collaborative platform and national network of various stakeholders related to startups like angel investors, venture capital funds, incubators and academia. To support the Startups in their crucial formation years, the government has tried to make the day to day functioning of startups relaxed and hassle free by exempting them from time consuming inspection on labour and environment laws and favouring them on patent and intellectual property rights filings as well as procurement of goods and services by Government.

b) Compliance Regime based on Self Certification:

- compliance with labour and environment laws has been made easier for registered startups by reducing the regulatory burden and thus enabling the startups to focus on their core business and keep the compliance cost low. For newly established small firms, the regulatory formalities and compliance with various labour and environment laws may be time consuming. The government has made the compliance regime on labour and environment laws friendly and flexible through self certification by the registered Startups. The Startups can do self certification on the Startup Portal or the Mobile app to comply with 9 labour laws and environment law. Accordingly, in case of the labour laws, no inspections will be conducted for a period of 3 years and in case of environment laws the startups are given the status of white category of industries (as defined by the Central Pollution Control Board (CPCB)) would be able to self-certify compliance and only random checks would be carried out in such cases. The startups can self certify them in case of following Labour regulations. 1) The Law on the Building and Other Constructions Workers' (Regulation of Employment & Conditions of Service) Act, 1996; 2) The Law on the Inter-State Migrant Workmen (Regulation of Employment & Conditions of Service) Act, 1979. 3) The Payment of Gratuity Act, 1972. 4) The Contract Labour (Regulation and Abolition) Act, 1970. 5) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952. 6) The Employees' State Insurance Act, 1948. The registered startups can self certify them in case of following Environment Laws: - 1) The Water (Prevention & Control of Pollution) Act, 1974, 2) The Water (Prevention & Control of Pollution) Cess (Amendment) Act, 2003. 3) The Air (Prevention & Control of Pollution) Act, 1981. Thus, the benefits of getting registered will trigger the new emerging firms to start with formal registration and in this way helping the formalization of the economy.

c) Relaxed Norms of Public Procurement for Startups:-

Under this the startups (in the manufacturing sector) have been provided level playing field vis-à-vis the experienced entrepreneurs/ companies by relaxing the norms of public procurement. As per the typical norms of public procurement, the condition of either

'prior experience' or prior turnover' is required at the time of tender floating by a government. This condition may prohibit startups from participating in the government tender. The government by releasing an order has mandated the offices of the Central Govt., State Govt. and PSU to procure minimum of 20% from the Micro Small and Medium Enterprise. This will benefit the Startups which are supposed to be small as they are at their initial stage. Additionally, the government has exempted Startups (in the manufacturing sector) from the criteria of "prior experience/ turnover". However, the Startups have to demonstrate the requisite quality standards as well as the capability to execute the project.

d) Fast-Tracking Patent Applications by Startups:-

Innovation is the sine qua non for the startups which are mainly the market disruptors through new and innovative products and technologies. Innovation is required for the continuous growth of startups and sustains in the competitive market. The innovation of new products or techniques requires them to file applications for patents and IPRs. For this, the government has started Startup Intellectual Property Protection (SIPP) to facilitate the filing of Patents, Trademarks and Designs by innovative Startups. Under this, the patent application by the startups is fast-tracked for examination and disposal, so that they can realize the value of their IPRs at the earliest possible. Apart from it, there is a provision of the panel of facilitators, constituted by the Controller General of Patents, Designs and Trademarks (CGPDTM) to assist the filing of IPRs application by advising and providing the relevant information to Startups. The panel will appear on behalf of Startups at hearings and contesting opposition, if any, by other parties, till final disposal of the IPR application. To reduce the cost of filing IPRs for Startups the government will bear any incurred facilitation cost of proving patent, trademark or designs and the Startups will bear only the statutory fee payable. For this Patent (Amendment) Act 2016 has been passed according to which 80% fee reduction has been provided to Startups. Till 31 December 2016, 538 Startup firms have availed the benefit of 80% fee reduction. Similarly, Trade Marks Rules have been amended to provide a 50% fee reduction to Startups, and 587 Startup firms have availed their benefit (GoI, 2018).

3.3 State Policies on Startups:

According to the report on India Venture Capital and Private Equity Report 2017, there is a solid correlation between comprehensiveness of the policy and the level of Start-up activity. Those states that have a more dynamic policy also have a higher proportion of start-ups that have received funding. State policies details are shown in table 1 and figure 3.1 below:

Table 3.1: Major policy initiatives of the states

State	Major startup policy initiative
Haryana	Single Window System
Gujarat	100% reimbursement of Stamp Duty and Registration Fee
Telangana	Reimbursement of Patent Filing cost
Karnataka	Travel reimbursement for international marketing
Haryana	Concept of Student Entrepreneur in Residence
Maharashtra	Incentivized to establish sector-specific Innovation Zones
Panjab	Sector specific incubators in and around the existing and envisaged industry clusters
Jharkhand	Half yearly boot camps / conclaves in colleges and universities

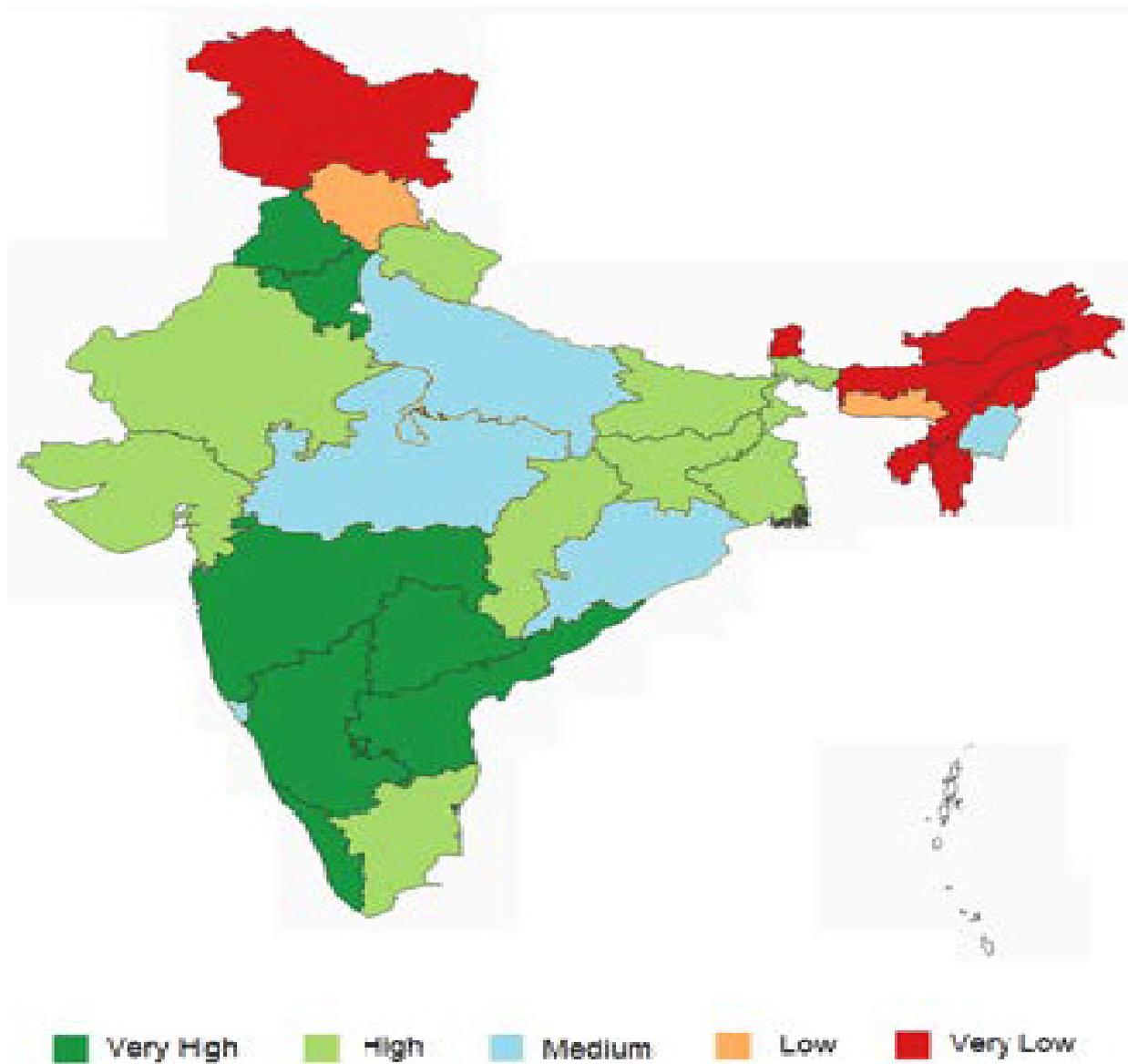
3.4 Financial Supporting and Incentives to the Startups:-

Access to finance is one of the key challenges faced by the Startup, especially during their formation years. Startups face the challenges of arranging the collateral, credibility issues vis a vis angel funding and lack of funds due to dwindling profit and saving of funds. The government is supporting the Startups financially through various measures undertaken, the description of which is as follows:

a) Funding Support through a Fund of Funds with a Corpus of INR 10000 Crore:- The government has set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years (i.e. INR 2,500 crore per year) . The Fund of Funds shall be managed by Small Industries Development Bank of India (SIDBI) and will give funding support to various Alternative Investment Funds (AIF) registered with SEBI and they will further support the Startups.

b) Credit Guarantee Fund for Startups:- Startups are the emerging businesses and many a time they may not be able to repay the debt. The banks are hesitant to give loan to these new firms which are supposed to be with high risk in the absence of

Fig 3.1: Geographical spread of the start-up policies of different states



Source: India Venture Capital and Private Equity Report 2017

any credible record. Therefore, the government has established the Credit Guarantee Fund for Startups to enable the new business venture experiment with market disrupting products. Credit Guarantee Fund has been established through the National Credit Guarantee Trust Company (NCGTC) under SIDBI.

c) Tax Exemption on Capital Gains:- Attracting investment at their initial stage is very hard for the high risk entity i.e. Startups. Investors are to be attracted through incentives like tax exemption on Capital Gains. It means that those firms which have invested their capital gains in the fund of funds, will not be levied Capital Gains Tax. The exemptions from Capital Gains tax will augment the funds available to various VCs/AIFs for

investment in Startups. Besides, existing capital gain tax exemption for investment in newly formed manufacturing MSMEs by individuals shall be extended to all Startups. Currently, such an entity needs to purchase “new assets” with the capital gain received to avail such an exemption. Investment in ‘computer or computer software’ (as used in core business activity) shall also be considered as purchase of ‘new assets’ to promote technology driven Startups.

d) Tax Exemption to Startups upto Three Years: - The profit made by the Startups has been exempted from the Income Tax for three years so that these can experiment the ideas freely without any fear of failure of their idea or business model. Innovation is the essence of every Startup. This will help the

cash constrained Startups to get some relief on the side of finance.

e) Tax Exemption on Investment above Fair market Value: - Under the Income Tax Act, 1961, where a Startup (company) receives any consideration for issue of shares which exceeds the Fair Market Value (FMV) of such shares, such excess consideration is taxable in the hands of recipient as Income from Other Sources. In the context of Startups, where the idea is at a conceptualization or development stage, it is often difficult to determine the FMV of such shares. In the majority of the cases, FMV is also significantly lower than the value at which the capital investment is made. This results in the tax being levied under section 56(2). Currently, investment by venture capital funds in Startups are exempted from operations of this provision. The same shall be extended to investment made by incubators in the Startups.

3.5. Facilitation and Promotion of Startups through Partnership between Research and Industry:-

There is a need for providing a single platform to facilitate the interaction between academia, industry and incubators to create a healthy ecosystem for Startups. Various efforts in this direction have been undertaken like:-

a) Startup India Hub: - The startup hub is imagined to work as a hub and spoke model connecting startup and all other key stakeholders like Central and State Government, Indian and Foreign VCs, Venture Funds, angel investors, banks, researchers, legal consultants etc. The hub and spoke model is based on the lifecycle approach to assist Startups, focusing on all important aspects at various stages of their growth like finance, marketing, technology improvement and management skills. Apart from this, free entrepreneurship courses have also been available under it.

b) Startup Fests to Provide a Collaborating Platform and to display Innovation: - The government holds Startup Fests from time to time at the national and international level. It provides a platform to display the innovative ideas and products launched by startups and to provide budding entrepreneurs with the opportunity to interact with various interested stakeholders like mentors and investors. Accordingly, fests are organized annually at national and international level at places known for startup activity. Many

activities are undertaken in these fests like exhibition stalls to showcase top innovative products, Startup fest contests, mentoring sessions and knowledge sharing platforms etc.

c) Launch of Atal Innovation Mission (AIM) with Self Employment and Talent Utilization Programme:- The AIM has been launched to promote entrepreneurship through Self-Employment and Talent Utilization (SETU), wherein innovative ideas will be encouraged to be converted into real products through entrepreneurship. The entrepreneurship is being promoted through various measures under AIM like establishment of 500 Atal Tinkering Labs, pre-incubation training to potential entrepreneurs at academic institutions, establishment of sector specific incubators through PPP mode, strengthening existing incubation centres and mentoring of centres, innovation awards and grand innovation challenge award for finding ultra-low cost solutions to India's pressing and intractable problems.

d) Support through Incubators: - Incubators can support early stage startups by guiding and nurturing them and providing a good Startup ecosystem. Government has taken various initiatives to set up world class incubators in India. The government is helping in establishing the incubators in existing institutions as well as through PPP. Incubators will provide the facilities of mentoring, access to network, physical infrastructure, and access to market etc. There will be 10 world class incubators and incubators in Public Private Partnership. The PPP incubators are financially supported by the government but ran and managed by the private players only for the sake of professional management. Under this 35 new incubators have been established in existing institutions with the 40% funding support by Central Government, 40% by the respective state government and 20% by private player. The Government will provide 10 crore financial assistance to 10 incubators which have capability to become world class. An "Incubator Grand Challenge" exercise shall be carried out for identification of these incubators. Apart from it, 35 another private sector incubators will be established in existing institutions with the support of 50% grant (up to max INR10 crores) by central government. It is noticeable that Startup Village is India's First Startup Incubator in PPP set up under department of Science and Technology. These incubators will be set up under AIM by

Niti Ayog with department of Biotechnology, department of Higher Education, Department of Industrial Policy and Promotion will be participating agencies. The incubators will act as academia-industry tie-ups for providing the best ecosystem support to Startups.

e) Promoting Startups in Biotechnology Sector:-

Witnessing the strong growth trajectory of Biotechnology sector, Government endeavours to promote and nurture 300-500 new Startups each year targeting around 2000 Startups by 2020. To accomplish this task, Government has taken various measures like setting up Bio-clusters, Bio-incubators, technology transfer offices and Bio connect offices. The Government has launched equity based fund by the name of BIRAC AcE fund in partnership with National and Global Equity funds for focused mentorship of nascent biotech startups. The Bengaluru-Boston Corridor has been formed to connect and share ideas and mentor the entrepreneurs in the area of biotechnology. Bio entrepreneurship is being promoted through BIRAC Regional Entrepreneurship Centre (BREC) by imparting knowledge and skills among bio-entrepreneurs.

f) Launching of Innovation Focused Programs for Students:- The government is promoting research and innovation among young students through various measures like Innovation Core Program for promoting innovation among kids, a grand challenge program by the name of NIDHI and Uchchar Avishkar Yojana to provide funding support to foster 'very high quality' research among IIT students.

g) Faster Exit for Startups:- For an efficient Startup ecosystem, not only the flourishing of startups are necessary but the swift and simple exit procedure too. The faster exit is helpful to relocate the capital and resources in case of startup failure. This will promote entrepreneurs to experiment with new and innovative ideas, without having the fear of facing a complex and long-drawn exit process where their capital remain interminably stuck. The Insolvency and Bankruptcy Code 2016 ("IBB"), has provisions for the fast track and / or voluntary closure of Startups through insolvency professional for Startups. Startups with simple debt structures or those meeting such criteria as may be specified may be wound up within a period of 90 days from making of an application for winding up on a fast track basis.

3.6. Other Schemes and Programmes supporting the Startups:-

Apart from the schemes and supporting programs discussed above, other programmes and provisions which are indirectly promoting startups can be discussed below:-

a) Electronic Development Fund Policy: - It is a policy by the Department of Electronics and Information Technology (DEITY) under which companies related to IT services, analytics, enterprise software, technology hardware, Internet of things, Artificial Intelligence and Nano-technology will get risk capital from daughter funds set up by Electronic Development Fund. This scheme was started as part of the Digital India campaign in order to develop Electronic System Design and Manufacturing sector to achieve "Net Zero Imports" by 2020. This policy will lead to the growth of Startup in electronic sector in the beginning and spread to other sectors also at later stage.

b) Modified Special Incentive Package Scheme (M-SIPS):- Introduced in 2012 and modified in 2015, this scheme is run by DEITY with the objective to promote investment in electronics manufacturing. Under the scheme, DEITY provides 20% capital subsidy to companies working in SEZ (25% in non-SEZ) engaged in electronics manufacturing.

c) Scheme to Support IPR Awareness Seminars/ Workshops in E&IT Sector:- This scheme is ran by Ministry of Communication and Technology to support IPR awareness seminar and workshop by providing financial grants from 2 lakhs to 5 lakhs. Educational institutes, Industrial bodies and other related societies which want to organize such seminars or workshops can apply for grant on the website of Ministry of Information and Communication Technology. This scheme will promote Startup activity in the area of innovation based electronics manufacturing.

d) New Gen Innovation and Entrepreneurship Development Centre (NewGen IEDC):- This centre is ran by DEITY with the objective of promoting knowledge based and technology driven startups by harnessing young minds and their innovation potential in an academic environment. Under this, Entrepreneurship Development Cell have been established in various universities, deemed universities and other institutions.

e) Performance & Credit Rating Scheme: - This scheme is ran by National Small Industries Corporation (NSIC) to develop performance and credit rating of Micro and Small Industries to make trustworthy and independent third party opinion about these companies, to help these companies access credit facilities at attractive interest, to attain recognition at global scale and to prompt clearance of bank loan to these small firms. Thus, the Performance and Credit Rating Scheme will certainly help promoting Startup companies.

f) Raw Material Assistance: - Under this scheme, financial assistance is provided to small industries to enable them procure raw material up to 90 days. Thus economics of purchases can be achieved for small industries to help them procuring bulk raw material. The National Small Industries Corporation (NSIC) supervises this scheme facilitating the small firms focus on core business activities without concerning about arranging funds to buy raw material.

g) Multiplier Grants Scheme:- This scheme under DEITY, aims to nurture and promote collaborative R&D between industry and academics/R&D institutions for development of products and packages. Under the scheme, there is provision that if industry invest in the research and development of any product that can later be commercialised, the government will provide financial assistant to such projects up to twice the investment made by the industry. It is supposed to activate the innovation based Startups in India.

h) Software Technology Parks of India (STPI): The STPI has been set up with the objective of encouraging, promoting, and boosting software exports from India by providing infrastructure and stator support. The STPI is an autonomous society set up under Ministry of Electronics and Information technology registered under Scheme, by the Indian government, provides statutory services, data communications servers, incubation facilities, training and value-added services. The scheme allows software companies to set up

operations in convenient and inexpensive locations and plan their investment and growth, driven by business needs.

i). Revamp Scheme of Funds for Regeneration of Traditional Industries (SFURTI):- The fund headed by Khadi and Village Industries will provide financial support to traditional industries and artisans to form clusters. The incentive is given on the basis of the size of the clusters categorized into Heritage Cluster(1000-2500) artisans-INR 8 Crore per cluster, Major Cluster (500-1000) artisans- 3 crore per cluster, Mini Cluster (up to 500 artisans)- 1.5 crore per cluster.

j) ASPIRE Scheme: - It is a scheme for promotion of innovation, rejuvenation and entrepreneurship in agriculture sector started by MSME, Aspire has been launched by the Indian government with an objective to set up a network of technology centres, incubation centres to accelerate entrepreneurship and also to promote startups for innovation and entrepreneurship in rural and agriculture-based industry.

k) Infrastructure Development Scheme: - This scheme is ran by National Small Industries Corporation aims to solve the problem of availing office space for small industries. Under this the office space is provided by the NSIC in major cities on rental basis to those companies falling under the category of MSMEs.

l) Nasscom Industry Partnership Program: - This industry agnostic program seeks to provide a platform of interface between large corporate and small innovative ventures so as to provide executive support, provide access to global market, branding support, executive mentoring support etc.

m) Finally, Pradhan Mantri MUDRA Yojana (PMMY), Prime Minister Employment Generation Programme and Other Credit Support Schemes, Credit Link Capital Subsidy Scheme for Technology Upgradation, Marketing Promotion Schemes etc. are also supporting new business ventures.

CHAPTER IV

Role of Academia in Creating a New Eco System to Flourish Entrepreneurship & Innovation: Case Studies

This chapter widely examining the role of educational institutions in creating a startup ecosystem and it is directly focused on the supply side aspect to aims at the effectiveness of the startup's initiatives on achieving the employment creation objectives. The supply-side aspect of creating an ecosystem for the young population to facilitate entrepreneurship is the major discussion in this chapter. Finally, both supply and demand-side (in chapter V) angle together discuss the general effectiveness of the programme.

4.1) Supply side aspect of role of universities in creating a new eco system to flourish

The role academia plays in fostering entrepreneurial intention is a popular way to augment overall economic activity and the process of discovery. Research in the field of entrepreneurship has grown exponentially with the growing concerns about the laggard growth of a large number of micro and small enterprises in India (Bhattacharya, 2008). Unfortunately, mainstream economics has overlooked the role of entrepreneurship in the economic systems, as there is uncertainty due to many stakeholders being in the field of entrepreneurial research with diverse interests and the increasing relevance of "swarm" tendency in this field of research (Landstrom, 2010). The need of the hour is to bring academic rigour in entrepreneurship in India (Bhattacharya, 2008; Landstrom, 2010). Entrepreneurial university model is a technique to attract individuals with ideas and give them the needful entrepreneurial and managerial skills in the new socio-economic landscape.

In India, seventy percent of the incubators are in educational institutions to encourage the real innovation and entrepreneurship spirit among the youth of the country. An interactive online learning and development module has launched by Startup India Hub to educate Startups and aspiring entrepreneurs, through various stages of their entrepreneurial journey. Over 1, 50,000 applicants have signed up for the course, out of which around 5,300 applicants have completed 100% of the course successfully (Startup India-status report, 2017). The university guided startups are providing the entrepreneurs with mentors who inculcate in them leadership skills to run a business. Mentoring is vital for acquiring knowledge of technical domains and

business skills, where the students are connected with industry leaders and alumni as mentors, and also clubbing students with appropriate faculty mentors. There are several startups jointly run across India which are having student-faculty collaboration.

The role of some prominent universities/institutes of Delhi in nurturing future young entrepreneurs is much appreciated and the facilities provide are explained in below table 4.1. Technology business incubators in IIT Delhi provide co-working space for high tech and biotech startups with lab facilities and also provide support for company incorporation and product patenting. Frequent interactive sessions/seminars at IIT Delhi facilitate the startups related to entrepreneurship with top industry leaders. There is an optional one credit course on entrepreneurship for all engineering students. This will add up the mentoring and entrepreneurial training facilities for their students. At the same time, Ambedkar University runs a masters course in social entrepreneurship to help build an appropriate entrepreneurial attitude for the students. This university entrepreneurship model provides a university-backed social working space, or grant for paying rent for office and also facilitating for real-life field experience before product launch. The University of Delhi also runs short term certificate courses in entrepreneurship and mentoring from successful entrepreneurs holding leadership roles, veterans of industry etc. providing an opportunity to connect with industry and government.

Considering the experiences of academic excellence of IIT Delhi comparing other university systems, there are higher chances of getting angel investment. Financial facilities received by IIT Delhi include scientific grants from Department of Biotechnology; Biotechnology Industry Research Assistance Council; stakes in exchange for funds by venture capital funding etc. In the case of Ambedkar University, grants are from the university itself for social-intended enterprises in exchange for company ownership. Their chance of availing venture capital funding is low and also startups face frequent fund crunch. The University of Delhi has funding via the network of angel and venture investors.

Table 4.1: Role of selected universities/institutes in nurturing future entrepreneurs

University Name	Infrastructure facilities	Financial facilities	Mentoring and Entrepreneurial-Training facilities
IIT-Delhi	TB provides co-working space for high tech/biotech startups with lab facility. Supports in company incorporation and products patenting.	Scientific grants from DBT/BIRAC, stakes in exchange for funds by VCs, higher chances of getting angel Investment.	One faculty member compulsory in board company. Frequent interactive sessions/ seminars related to entrepreneurship with top industry leaders. One credit course on entrepreneurship for all engineering students.
Ambedkar University, New Delhi	University-backed social working space, or grant for paying rent for office. Real-life field experiment prior to product launch	Grants from Ambedkar University Delhi for social-intended enterprises in exchange for company ownership. Startups face frequent fund crunch. Low chances of availing VC funding.	University runs a Master’s course in social entrepreneurship to help build an appropriate entrepreneurial attitude. Guidance from domain experts in management of social enterprises.
University of Delhi	Provides strong branding, managed by STPI. Electropreneur Park which is an academic incubation aims at ESDM- related startups. Co-working space and state of art lab equipments. Support to startups at ideation stage.	Funding via network of angel and venture investors. Financial support for prototyping, free credit or subsidized interest rate.	Mentoring from successful entrepreneurs holding leadership roles, veterans of industry. DU also runs short-term certificate courses in entrepreneurship. Opportunity to connect with industry and government.

Note: TB- Technology Business Incubator, DBT/BIRAC- Department of Biotechnology; Biotechnology Industry Research Assistance Council, STPI- Software Technology Parks of India, ESDM- Electronic System Design and Manufacturing, VC Funding- venture capital fund.

4.2) Startups associated with incubation centres:

Many Startups in Delhi such as Fitnano Technologies, Cerelia Nutritech and Sanjhi Tokri has been receiving mentorship under the Universities’ business guidance and incubation centre. Details are as follows:

1. Fitnano is an early growth stage startup which offers smart wearable devices that can be worn on the body of children as well as older persons as implants or accessories. Such devices work as activity trackers that enable electronics such as mobile phones, sensors to exchange information/data through the internet with any other connected objects, without requiring human intervention. The Global Positioning System (GPS) watch for children that keeps parents connected with their children on their mobile phones by installing the Fitnano App. Tarun Shekhar is the founder of Fitnano (2015).
2. Sanjhi Tokri was founded by Mayank Gandhi in 2014. Sanjhi Tokri meaning common basket in Hindi, which is a digital grocery items supply-chain platform where one can place his/her orders.

Different kinds of organizations such as university, research organizations, funding agencies, big corporations and services providers interact at a location to explore and develop, adapt, grow and mature new startup companies as a system. At the academic level, several universities apart from teaching, awarding degrees and publishing scholarly literature, they are running business incubation centers to foster entrepreneurial intention among the students who are accustomed to being job-seekers, by conducting experiments before the development and launch of a particular startup’s product which would influence the economic development of the country (Elfving, Brännback, & Carsrud, 2009). It is one such place where the startups are formed and allow the founders or entrepreneurs to explore all the possibilities of showing commitment towards the startup. Few cases are as follows:

3. Valetude Primus founded in 2015 by IIT Delhi Alumnus is a pharma firm which is designing technology enabled diagnostic medical devices to find the typhoid strain in human body at faster time compared to the current diagnostic technique world over. The startup is under the mentorship of FITT incubatees and founders Saurabh Singh and Vikas Pandey are B.Tech graduate from IIT-Delhi. They mentioned that because of the incubator's supportive environment the demand for getting incubated is quite high among many budding tech-entrepreneurs. Exposure to seminars organized by FITT has immensely helped the startup to grow the entrepreneurial network and connect with industry mentors.
4. Case of a graduate: This is the story of how Jawwad Patel, a 23 year old young man, who completed his graduation from Jawaharlal Nehru Technological University in Hyderabad came with an innovation, a 3D printed smart self filling water apparatus. He was recently honored by the government with the National Youth Award Excellence in Research and Innovation. From a very young age of 10 years he has been an electronics freak. During school and college time he accumulated many medals and certificates in competitions related to the field of electronics and Robotics, his acumen lead to the invention of many new devices at regular intervals. He had this inner ambition to lay the foundation stone of his own Private lab, so he founded one named JP Lab. He envisions inventing things in accordance with the problems and situations that the masses are facing now.

Story of an early stage tech startup- How a university system facilitating for innovation and employment generation

5. Cerelia Nutritech Pvt. Ltd. was founded in July 2016 by Kiran Vuppala, Ruchi Omprakash Singh and Deepti Mohanty. Cerelia Nutritech is about to launch life science products mainly nutrition-based medical device called trans-dermal patches, which help in transferring nutrients through the skin for those who face problems in consuming food orally. The early-stage health related company is a for-profit enterprise registered under the Company Act. Kiran Vuppala did his Master of Science in Biotechnology from Acharya Nagarjun University Hyderabad in Andhra Pradesh and Ruchi Singh did her Master in Pharmacy from Mumbai University. Prior to working in Cerelia as full-time researcher, Kiran was employed at Syngenta Private Limited, Hyderabad A. P. and had SIIP (Social Innovation Immersion Programme) Fellowship. This startup is located inside the Synergy Building of IIT Delhi campus. They have got the incubation training and mentoring support under IIT-D TBI incubation hub - Federation of Innovation and Technology Transfer (FITT) which provides the office space for the tech startups. Before this, their company was affiliated to Kalinga Institute of Industrial Technology Bhubaneswar's technology business incubator. The affiliation with the incubator has helped the Cerelia Nutritech in availing the benefits of equipment and other facilities provided by the incubator. The founder agrees that the services provided by the incubators are critical for the early-stage companies because being small, they cannot buy the equipment's and other required products themselves. They have never approached any banks for funding. The reason they stated here that the collaterals asset-based funding is all banks minimum criteria for eligibility. The prototype is not launched in the market yet. It is in the Clinical Trial and Regulatory clearances phase. The Cerelia Nutritech has filed for patent application and got the benefit of fastening the patent application procedure as well as subsidy in Patent fee as per the Startup India Action Plan. They filed the Patent through Private party i.e.TBI so they did not face any difficulty in this procedure. It is also noted that they have taken the benefit of the Startup Hub Program and toll-free numbers while taking help in getting regulatory clearances for a grant from Canada. They also pointed out that there is a huge workload, and the work hours extend beyond 12 works at times. The founder is aware of the facilities of self-certification to the labour laws and environmental laws. They do not agree with the neglect of knowledge-based innovation. They expect a good response from the consumers soon after the launch of their product. The transdermal patches are a niche market. The competition is near to existent for its product. There seems to be an ineffective strategic partnership between the regulatory authorities and new ventures in health care. The founder agrees that there is an absence of a well-documented policy for young entrepreneurs across technology and technology-enabled spectrum.

The Jawaharlal Nehru Technological University in Hyderabad (JNTUH) is also having a dedicated dais to facilitate interaction between industry and university, called University Industry Interaction Centre (UIIC). JNTUH-UIIC believes that the industry drives the economic development and the university fuels it and hence the JNTUH-UIIC attempts to organize and catalyze the various joint activities between the Industry and the University. Therefore, the students must be engaged in entrepreneurial activity as early as possible. Universities should provide entry level support which induces budding entrepreneurs to choose safer projects. Several policy initiatives by the government to support and promote entrepreneurship in universities and schools have sprung out to counter joblessness and social inequality, e.g. Atal Innovation Mission is establishing Atal Tinkering Laboratories in schools across India to foster creativity, curiosity and needfulness in young minds. 941 schools selected for establishing tinkering labs and Rs. 12 Lakh each has been disbursed to 374 tinkering labs (GoI, 2018).

International think-tanks such as Ewing Marion Kauffman Foundation, Wadhvani Foundation, Korea Labor Institute W.E. Upjohn Institute for

Employment Research, and Koltai & Co. are engaged in employment services research to disseminate the information and to promote entrepreneurship that would serve some social purpose and hence reproduce new knowledge in this field. Support from such organization educate, inspire and support entrepreneurs without hampering the type of entrepreneurship in order to create high-value companies and jobs. The business cycle has an effect on the entry of an individual in the field of entrepreneurship, meaning that there is an association between aggregate business cycle and firm creation.

4.3) Social entrepreneurship:

The business incubators may encourage entrepreneurs to take up social projects for improving the welfare of the community and in most cases technology based innovation or concept is welcomed that accelerate structural changes in the economy (Clausen, 2011). Moreover, the purpose of entrepreneurship depends on what the entrepreneur or the enterprise is trying to maximize as its primary objective (Audretsch & Thurik, 2001). In social entrepreneurship, the goal is to create some social impact which usually addresses a social issue; one of the cases is as follows:

Case of Empathy and today's change-makers - Social Entrepreneurship

'I want to bring an impact in our society by helping the project related displaced farmers so that they lead of life of dignity.' (Nishant Chowdhury, social entrepreneur, Delhi)

Nishant Chowdhury is the founder of a 'Rooftop Farming' concept startup venture which began its operation in 2016 and he is a development fellow affiliated with AUD Centre for Innovation, Incubation and Entrepreneurship (ACIIE). To transform the state of farmers' life after displacement from previous work site due to project-affected consequences, the main influence for this project was community - based livelihood practices. The startup is specialized in providing agro-farm services to the urban residents of Delhi and the practice of growing fruits and vegetables has been picked up in several places. The community based social livelihood project ensures farmers an alternate employment platform.

Art for Social Change India

Arts for Social Change India (ASIC) formed by Gaurav Singh and Jigyasa Labroo is an early-stage startup enterprise, which develops social entrepreneurship in youth culture. It started in February 2014 as an NGO. Previously they both were Teach to Lead Fellows. Presently, both are working as a full time associate with Slam Out Loud which is an initiative of ASCI. Gaurav completed his professional course in Hotel Management and Jigyasa is B.Tech graduate. Art for Change is a non-profit private organization registered under section 8A of Company Act. They are involved in the imparting artistic skills like theatre and poetic skills in children below age 12 for both government and private schools. They also sell art-merchandise for such schools. Under the initiative of Art for Social Change, 'Jijivisha' Fellowship for poets, artists and theatre enthusiast was started. It is a nine month programme for children and youth of the marginalized section to build in them leadership, human expression and mindfulness. There are around 30 fellows selected for this programme who shall undergo an art based creative training workshop.

They have been gaining guidance and mentorship under Startup incubation training cell at the ACIIE. The business is sustainable and it wants not to just relieve on AUD (Ambedkar University Delhi) grants. They would like to diversify their products and services to enhance the cultural and literary skills of children up to class 8. The administrations and teaching staff of schools in Delhi –NCR are clients of this startup in the Delhi region. They have not availed any loan facility from banks. The founders disagreed to any competition in the market. The founders do strongly agree with the fact that there no well-documented policy for entrepreneurs having social enterprises. The founders want to turn the enterprise into a for-profit enterprise. The business has to have an edge about knowledge and creativity. There is strategic partnership between the existing players in the market and new players struggle to over the unwanted hurdles for the launch of new products. The need to connect new business people, seek new challenges and respect in society are some of the main influencers to the behaviour of the entrepreneurs.

The social entrepreneurship has been rapidly emerging in private, public and non-profit sectors and India started developing an appropriate environment for such initiatives, have recently increasing gained traction Self-efficiency is contended to be an important determinant of entrepreneurial behaviour.

4.4) Building Innovation Centre at National Institutes: - Innovation centres have been established to provide innovation support to the startups through R&D. Under this 13 Startup innovation centres have been established in various institutions given in Table 4.2. Similarly, 18 Technology Business incubators have been established with the support of the government, the details have been given in Table 4.3.

Table 4.2: List of Startup Centres³

Name of Startup Centres	RGIIM Shillong	MNIT Allahabad	NIT Agartala	VNIT Nagpur	IIITDM Kancheepuram	PDPM-IIITDM Jabalpur	ABVIITM Gwalior
	NIT Delhi	NIT Goa	NIT Silchar	IIT Bhubaneswar	NIT Patna	NIT Arunachal Pradesh	

Table 4.3: List of Technology Business Incubators

Technology Business Incubators		
MANIT Bhopal	IISER Bhopal	NIT Warangal
NIT Raurkela	IIM Rohtak	MNIT Jaipur
NIT Jalandhar	IIT Mandi	NIT Tiruchirappalli
IIT Udaipur	IISER Mohali	IIT Patna
NIT Calicut	IIT Roorkee	
IIT Ropar	IIM Kozhikode	
IISER Thiruvananthapuram	IIM Raipur	

The Government has proposed to set 7 new research parks modeled on Research Park in IIT Madras with the aim to boost R&D supporting innovation and startup ecosystem. The government will initially invest 100 crores in each research park. They will encourage the industries to undertake research activities in these research parks and support with the academic expertise support by the incumbent institution. These research parks will derive best practices from successful Research Parks such as those at Stanford, MIT and Cambridge. As per the status report on Startup India Action Plan, the research park in IIT Khadakpur is already under construction and the research park in Gandhinagar is being set by the Department of Science and technology. The remaining five are being established by Ministry of Human Resource and Development (MHRD) and DST in IIT Guwahati, IIT Hyderabad, IIT Kanpur, IIT Delhi, IISc Bangalore.

³ Source: Government of India (2016), Startup India Action Plan, p. 27

CHAPTER V

Startups and Youth Employment Provisions: Field Survey Results

This chapter is directly focused on the demand side aspects of the startup initiatives via educational institutions. The demand side of employment generation is the major discussion in this chapter. Both demand and supply side (previous chapter IV) angle, together discuss about the general effectiveness of the programme.

5.1 Small firms and job creation

The entrepreneurship, growth and job creation are linked (Glavin, 2013). Trends also shown that startup firms⁴ contribute substantially to job creation (Subrahmanya, 2015). Like all brands, 'Brand India' as a brand stands for being a product in itself. It is a campaign to project the business attractiveness of India in fields of Information technology, manufacturing, and services sectors. A positive impression has been created worldwide in the mind of foreigners after India jumped 30 positions to become rank 100 in the Ease of Doing Business Global Rankings⁵ (World Bank, 2017). In addition to that, in the Report on Readiness for the Future of Production Report 2018⁶ which is a study conducted by the World Economic Forum (WEF) in collaboration with AT Kearney, a global consulting firm has ranked India at 30th position on a global manufacturing index, above other BRICS⁷ nations except for China (WEF, 2018). If one evaluates chances for success of 'Brand India', a number of initiatives were launched recently by the Indian governments and non-governmental organizations such as Digital India, which is set to transform India into a digitally empowered society, several global MoUs with foreign nations in the area of trade, industry and services, and Startup India which aims at promoting innovation by creating an ecosystem. This would empower entrepreneurs to create an impact in the macro-level through startups. Valliere (2010) highlights about the significant portion of Gross Domestic Product (GDP) growth rate of developed nations are by young firms, who exploit the opportunities made available through state support in terms of both moral, physical financial support (Valliere & Peterson, 2010). Privatization and the neoliberal economic policy can have significant impact on

the overall entrepreneurial activity in an emerging country like India.

The employment statistics point towards that labour market for youth is plummeting (OECD, 2017). Although the economic growth in India is gaining substantially, the job creation and rate of employment is decreasing (Economic Survey, 2017). Due to such prevailing conditions of status of unemployment among the persons aged between 15 - 29 years, new economic policies or strategies are formulated to create opportunities for revival of the Indian startup culture. For a jobless person⁸, entrepreneurship becomes a necessity, a last resort to prevent the risk self-degradation and impoverishment (Hurst & Pugsley, 2011). As per the BSE CMIE survey⁹, in the year 2017 the potential workforce (till August 2017) has added around 26 million people, while just 1.5 million got employed and by 2050 in India every year 12 million people are expected to join the pool of employment. Until and unless the pace of job creation is not accelerated, we will not be able to harness the demographic dividend, where the population aged 15 and above is 968 million (Muthukumar, 2017). By letting new business enter the market, huge employment opportunities is generated and the 'startups' euphoria which is been currently experienced in many nations. The young establishments or firms which are based on innovative concepts or ideas set out to disrupt the markets with its product or services.

5.2 Does Innovation matter?

The high rate of increase in the number of startups worldwide has been the key for the rapid expansion and development in both advanced and emerging market economies. Schumpeter's theory of innovation reveals that the entrepreneurs are motivated by will power, their characteristics being an inherent capacity to select correct answers, energy will and mind to overcome fixed talents of thoughts and a capacity to withstand social opposition (Schumpeter, 1934). There are various roles performed by entrepreneurs like initiators, risk taker, innovator, decision maker, and leader and as manager. The weak and unstable formal institutions encourage more unproductive than

⁴ Firm is a business organizations consisting of one or more establishment that were under ownership and control, whereas an establishment is defined as a single physical location where business is conducted. Existing firms create new establishments.

⁵ Ten prime thrust areas is included in this year's Ease of Doing Business report like starting a business, construction permits, getting essential utilities (water and electricity), protecting investor, paying taxes, resolving insolvency, trading across borders, and enforcing contracts

⁶ The report has categorized 100 countries into four groups - leading, high potential, legacy and nascent. India has been placed under the legacy group along with Mexico, Hungary, Russia, Philippines, Thailand and Turkey. They all have strong current base and at risk for future.

⁷ BRICS stands for Brazil, Russia, India, China and South Africa.

⁸ According to OECD, an unemployed youth is someone aged between 15-24, who report that they are without work, that they are available for work and that they have taken active steps to find work in the last four weeks.

⁹ Bombay Stock Exchange and Centre for Monitoring Indian Economy conduct three surveys in a year on employment. Sample size - 1,01,724 households in 25 States.

productive innovation – driven activities. The creativity of a disadvantaged minority group is the main source of entrepreneurship and a suppressed community has more creativity (Landstrom, 2010).

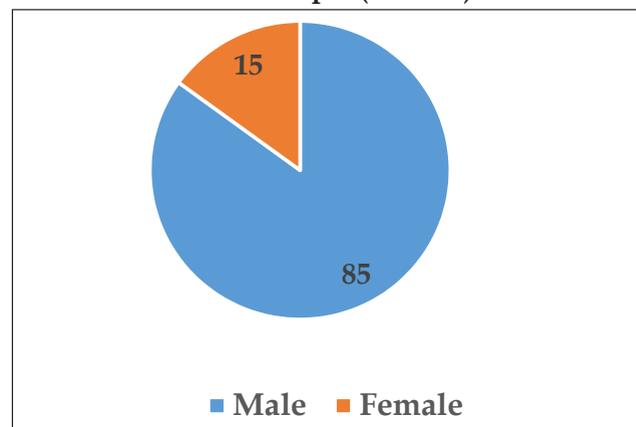
The Global Competitiveness Index divides nations into three categories: factor-driven, efficiency-driven and innovation-driven. Competitiveness is evaluated based on 12 pillars. The competitiveness in factor driven stage is depended on the first four pillars, namely- institutions, infrastructure, macroeconomic environment and health and primary education. From this stage, a country then moves to the efficiency-driven stage as the competitiveness rises and leads to increase in wages and productivity. Here competitiveness is determined by pillars 5-10, namely, higher education and training, good market efficiency, labour market efficiency, financial market development, technological readiness and market size. In the innovation-driven stage competitiveness is based on the last two stages- business sophistication and innovation (pillars 11 and 12 respectively). The scenario in this stage is one where wages and standards are so high that to survive, innovation is very important. A country's stage of development is an important factor when it comes to innovation. Entrepreneurship enterprises in highly developed countries are more innovative than enterprises in lesser-developed countries. In lesser-developed economies, entrepreneurship and self-employment are an alternative to unemployment and in large number of cases- necessity driven. Countries in the factor-driven stage “neither create knowledge for innovation nor use knowledge for exporting”. The innovation-driven stage on the other hand sees an increase in entrepreneurial activity along with a decrease in firm size, increase in service firms (which are more conducive to entrepreneurship than manufacturing) amongst other factors. India remains the most competitive economy in south Asia and also rank 40th in the global competitive ranking of 137 countries by world economic forum (Schwab, Klaus 2017). However, India ranks 68th in 2019 due to significant progress made by several other countries ranked close to India and also this drop is only partly the consequence of a relatively small decline in score. According to the Global Competitiveness Report 2019, India ranks high in macroeconomic stability and market size but its financial sector is relatively deep and stable despite the high delinquency rate (10% of the loan portfolio, 106th), which contributes to weakening the soundness of its banking system. At the same time, India performs well when it comes to innovation (50.9, 35th rank), well ahead of most emerging economies and on par with several advanced economies (Schwab, Klaus 2019).

5.3) Demand side aspect of employment generation- Field survey results

This research study envisaged investigation among 48 startups samples in the different part of Delhi-NCR region. It includes only the registered firm or companies which are registered with startup under DIPP of Ministry of Commerce and Industry, Govt. of India. The details of Delhi- NCR startups were collected from the list of official startup India website of the government of India.

While considering the gender distribution in the sample data, female entrepreneurs are only 15 percent of the total sample comparing 85 percent of male entrepreneurs (Figure 5.1). In general, there is ample evidence that fewer women are associated with technical education in India compared with men, and that may be the reason for the less women engaged in startups.

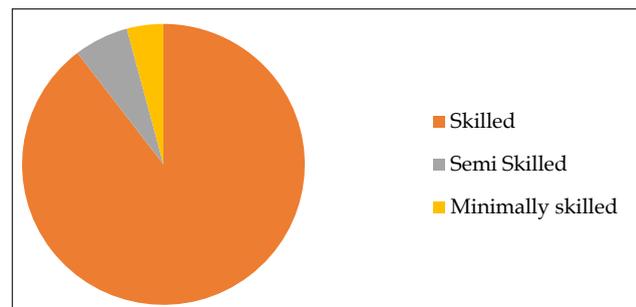
Figure 5.1: Gender Distribution of entrepreneur in the sample (Percent)



Source: Field survey data

In the sample data, 89.6 percent is skilled workers, followed by 6.3 semiskilled and 4.1 minimally skilled workers. Figure 5.2 clearly shows that majority of the workers employed in startups are skilled workers, and it shows the opportunity of skilled workers to employ in startups.

Figure 5.2: The composition of skilled, semi-skilled and minimally skilled workers employed



Source: Field survey data

There is an enormous debate regarding the employment creation of startups in the current scenario. The data collected from the field shows that out of 48 startups at the time of establishment 33 startups had less than 5 employees and later after few years (approximately in the range of within 4 years)

there is an increase in the number of employees engaged in the same startups and 25 startups increased the level 6-10 employees and 11 startups started employing more than 11-15 employees. The details are given in figure 5. 3 below.

Figure 5.3: Comparative details of the number of employees at the establishment time and at present

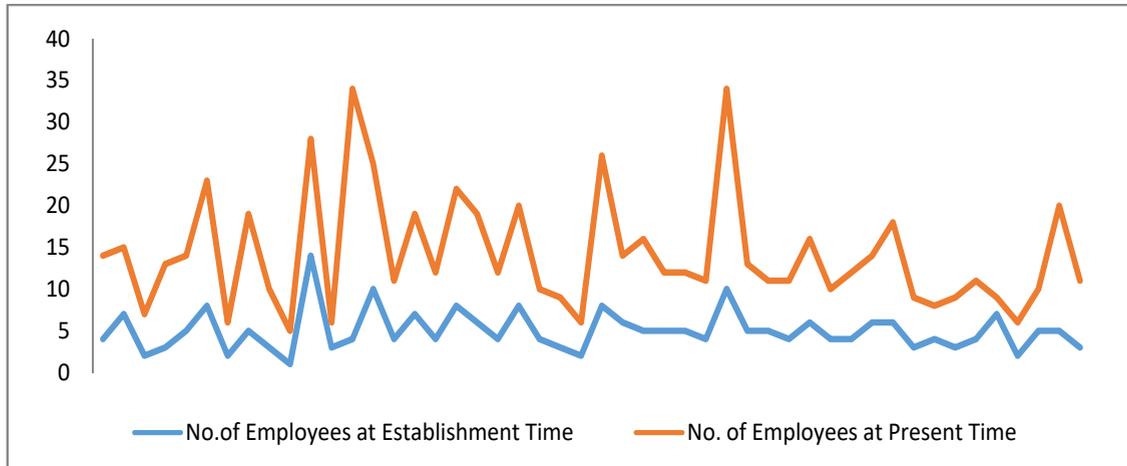


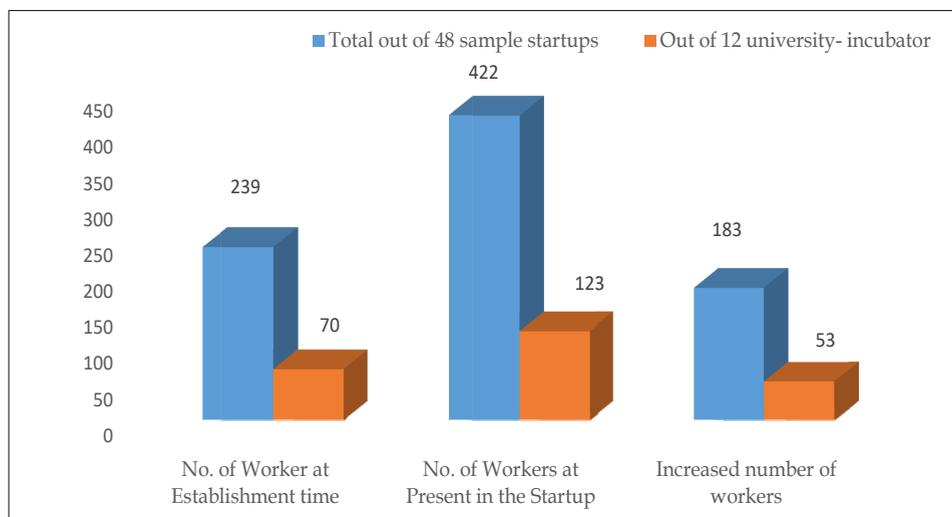
Table 5.1 Comparative details of the number of employees at the establishment time and at present

No. of workers	Less than 5	Between 6 to 10	Between 11-15	Between 16-20	Between 21 to 25	Between 26 to 30	Not Mentioned
Total No. of Worker at Establishment time	33	13	1	0	0	0	1
Total No. of Workers at Present in the Startup	9	25	11	0	1	1	1

Source: field Survey data

Among the total sample, the total number of workers in the establishment time was 239 and the number of employees at present increased to 422, an increase of 183 more (Fig. 5.4). One interesting fact is that twenty five percent of the startups samples is nurtured from the university-incubator based ecosystem. Among these samples of university based startups, there is an increase of 123 employees at present i.e. 53 new employment is generated from 70 at the time of establishment. Among the sample startups, lowest salary drawn was 6000 and the highest level of salary drawn was 50000.

Figure 5.4: Details of university incubator startups and non-university startups



In Table 5.2 among the 48 startups 10 sample startups were already functional some years before (with in the last ten years) as an enterprise and they have been registered as startup after 2014. In these cases, it is noted that the increase in employment at establishment time and at present is only 12. Moreover, these enterprises narrated various problems of the sustainability of their enterprises including funding, marketing etc. as various reasons.

Table 5.2 Disaggregation of sample startups and the employment generation

Total	No. of Worker at Establishment time	No. of Workers Present in the Startup	Increased number of workers
48 sample startups	239	422	183
university-incubator (Out of 48)	70	123	53
Startups which have been started earlier and registered after 2014 (Out of 48)	31	43	12

Another interesting fact is that one by fourth of the sample startups make use of the toll-free helpline number and were satisfied with the response as all their queries were answered. Their experience with the incubators was also positive as they didn't face any problem. But, still few of the startups reported that searching and finding out incubator is one of the concerns since the knowledge about how to start with and whom to contact and also what all are the facilities available etc. needs public awareness/attention. So, business incubator related awareness generation in the educational system is the need of the hour. 84 percent of the university incubator based startups samples attended the mentor training programme, workshops and seminars. Incubators like AUD Centre for Incubation, Innovation and Entrepreneurship (ACIIE), IIT Delhi, Ambedkar University, IIT Mandi, Department of Science & Technologies (DST), NASSCOM, Amity University, Technology Business Incubator

(Delhi University) helped them for knowledge management.

Chapter III already discussed various facilities for entrepreneurship development and financing facilities for startups. Broadly, it can be classified as two: entrepreneurship development schemes and financing schemes. Development schemes include Entrepreneurship mentoring, training and incubators etc. and financing schemes include bank loans and government grants, venture capital investment. Field survey results show that rent-free services were provided by the incubators along with access to utilities such as water, telecom, electricity, internet etc.

It is also important to point out that five per cent of sample startups operated on a virtual basis, without physical space. They also informed that the use of the incubator postal address was required to help business and advertise their product. Concurrently, those who are using the physical space is meant to promote networking among entrepreneurs, and their mentors. In the field survey, it is also noted that incubators support business assistance like marketing assistance, enhancing presentation skills and also help with business etiquette and regulatory compliance.

5.4 Few more extra case studies on Issues and challenges faced by startups:

a) The *Webliska Technologies Pvt Limited*, by Manish Manchanda located in Faridabad, Haryana state and they are providing the facility of web development to clients at the lowest cost. Mr Manish Manchanda informed that GST initiative is a good step of the Government for the low price for each commodity than previous. But, funding, location and availability of the skilled labour are the main problem which the entrepreneur stated. Mr Manish Manchanda says "If we get an update from government side regarding the funding and guidance like available government schemes for funding, how to get the help of an incubator, and concerned training programme details, it would be an immense help for us to do much more in our business". He also suggested that proper guidance is required about the startup ecosystem and also this information is not much captured at the grass roots level. Even we do not

get any emails about the different conference/exhibitions and workshop related to the business.

b) *The case of Mashiva Technologies Private Limited* situated in Nehru Place, Delhi, is mainly focusing on the supply of laptop and desktop to the corporate on a reasonable price with a guarantee of a longer period. They are only dealing with the Exporter Company and Corporates. Mr Chandan Kumar Singh, startup founder told that he has approached nationalized bank for funding but the officer told that there is not any loan facility for startups. Even when he contacted the bank for the MUDRA Yojana Kishor scheme, the officer told him to submit capital or property details and lastly, he arranged money from his friends and relatives to revive his business. He also suggested that *"If we get regular information and web portal by which we can claim or drop our problem that will be an immense help for us to continue our businesses. Such portals/platforms would be helpful for both entrepreneur and the government to aware the grassroots level problem on the operation of startup"*.

c) *Case of Edisoft Digital Private Limited:* This is an enterprise belong to Sector 3, Noida and the institution was registered as a startup on 27th August 2016. The owner of the enterprises is Mr Ankit Sharma, who was completed B.Tec from ITS engineering college and started his business in the area of Digital Marketing. He told that *we couldn't find the details of an incubator to join, or other training programmes, which are the prime objective of the startup*.

d). *Case of Esysix Technologies Private Limited:* This is an IT service product development enterprise operates by the Mr Amit Sharma, who has completed his MSc from Delhi. He has registered as

a startup in October 2016. On the starting point, he invests 2 lakh and now it is rise to 10-12 lakh (i.e., annual turnover). He told his experience related to different Government tender for various projects. *"I have still seen almost all the government projects tendered which are asking for last two years financial statement and it is to be above 4-5 crore to bid for the project. How can a small company or entrepreneur compete in such scenario with a bigger organisation even if they have much better technology and better rates? Startups are not helping to getting any financial support neither from the government side nor from the bank. Even if we are registered with DIPP and also got the certificate from that but the bank does not provide any financial support to us for our business purpose. No incubator has approached us to work in their centre and we are investing our own fund and continue the business and generate employment. Government may come with schemes where startup may be better aware of such schemes."*

e). *Case of Innovation India:* This is an enterprise located in Sarai Julena, Friends Colony Delhi. Mr Vijay Kumar Sharma is the Director of the company and more than five workers are working in the innovation businesses. Currently his business annual turnover around 60 lakh. He started his business with an investment of 2 lakh. He points out that the innovative businesses reduce the cost of production and also increase competitiveness in the market. He received the fund from MUDRA schemes. But he informed that getting skilled manpower is very difficult. He said, *"I need trained workers who can give new ideas and help to reduce the cost of production and startup Mitras in the each Tehsil/Block level is required to help the need of the entrepreneur related to funding and other details"*.

Chapter VI

Government Initiatives to Restore Labour/Monetary Market Equilibrium- Implications on Entrepreneurship Formalisation

6.1 Entrepreneurship formalization

The Startup India program has also encouraged the formalization of the firm setting activities by providing facilities and incentives to registered startups. Whether formalization of the firm is good on the growth of the firm is widely debated among the scholars. Some are of the view that those firms which start with formal registration with the government are likely to succeed faster in terms of sales and employment but the success rates varied from country to country; higher in those countries where people have more trust in their government (Assenova and Sorenson, 2017). On the other hand, some have established the opposite while taking the case of informal entrepreneurial activity in developing societies (Williams et.al.). In developing economies, registration requirements are seen as overly burdensome, due to formal institutional imperfections and their circumvention thus deemed socially legitimate (De Soto, 1989). That's why registered enterprise that start up unregistered and spent longer operating unregistered are revealed to have significantly higher subsequent annual sales, employment and productivity growth rates compared to those that registered at the onset (Williams et.al, 2017).

Apart from these factors, some other minor factors also sometimes lead to big impact over the growth of startups for example the impact of the attitude of the entrepreneur on growth of the enterprise (Cliff, 1998). If entrepreneur form negative opinion towards growth while considering his concerns that larger size of the firms may compromise wellbeing of employees, ability to control the growth and withstand any crises, independence of firm vis-à-vis other stakeholders, it will affect the growth and size of the startups (Wiklund et.al, 2003). Similar is the impact of experience as a factor and as per the firm behavioural theorist,

the experience is poor teacher in the case of entrepreneurship and prior learning is difficult to be applied in new business environment (Levitt and March 1988). Gottschalk et.al. argue that experienced entrepreneur are not as good as novice entrepreneur as far as the risk taking and other steps are concerned. The cognitive biases such as over optimism and over confidence and subjective beliefs about the geographical location of the startups like access to the industrial cluster has also been considered as a determining factor in their growth (Folta, Cooper, & Baik, 2006; Stuart and Sorenson, 2003). Glaeser et al. have documented the impact of urban economics on the location of enterprises. They conclude that the large cities have more demand for specialized products which makes them particularly attractive places for startups creating new products (Glaeser et.al 2009). It is evident from previous chapter III, those states that have a more dynamic policy also have a higher proportion of start-ups that have received funding. This chapter examines how the demonetization, adoption of a nationwide sales tax (GST), overhaul of bankruptcy law, labour law reforms initiatives affecting the economy to correct the labour/monetary market distortions from informal to formal and its impacts on startups.

6.2 Single market-goods can move freely

The implementation of GST on 1st July 2017 is definitely a historical initiative since the GST tax reform reduces the multiplicity of taxes, compliance costs and also to avoid paying taxes on inter-state transfer and movement. As per our previous tax system, any business with a turnover of more than Rs 5 lakh had to get VAT registration and pay VAT might differ by states. How this initiative of Goods and Services Tax (GST) impact startups, SMEs, and small businesses provided that half

¹⁰ Under Payment of Bonus Amendment Act, eligibility limit for payment of bonus enhanced from Rs 10000/- to Rs. 21000/- per month and the Calculation Ceiling from Rs. 3500/- to Rs. 7000/- or the minimum wages.

¹¹ Payment of Wages (Amendment) Act 2017 enabling payment of Wages to employees by Cash, Cheque or crediting to their bank account.

¹² Maternity Benefit Amendment Act, 2017, increases the paid maternity leave from 12 weeks to 26 weeks.

¹³ Child Labour (Prohibition and Regulation) Amendment Act, 2016 provides for complete ban on employment of children below 14 years in any occupation or process.

¹⁴ The Employee Compensation (Amendment) Act, seeks to rationalize penalties and strengthen the rights of the workers under the Act.

¹⁵ Ease of Compliance to maintain Registers under various Labour Laws Rules, 2017 replaced the 56 Registers/Forms under 9 Central Labour Laws and Rules made there under in to 5 common Registers/Forms. This will save efforts, costs and lessen the compliance burden by various establishments.

of our workforce depends on self-employment. As per current GST, the turnover threshold is 20 lakhs thus it may exempt many small businesses including startups (Ranabir, 2017). GST also has a scheme of lower taxes for small businesses with turnover between 20 to 50 lakhs though it is optional (called the composition scheme). This will definitely bring relief from tax burdens to newly established startups/businesses.

GST may also safeguard level playing field between Small and Medium Enterprises (SMEs) and corporate houses since logistics and infrastructure capabilities of the big corporate houses may shell out by escape paying taxes on inter-state transfer and movement; due to limited resources and infrastructure, SMEs and startups aren't able to do that (Som Dutta, 2017). By the way, new businesses can get rid of this 'stock transfer' from one state to another without restricting the business climate. GST tax reform also reduces the usual turf wars between the centre and states due to the current differential tax regime as well as the logistic inefficiencies, including slow transit times and disruption in business climate (Dilasha & Indivjal, 2016). Under GST regime startups in the service industry can set off the VAT paid on the purchases with the service tax on their sales will be a big boon to the startup industry and it will result in the reduction of costs. Since the new tax proposed to bring down tax exemption limit for manufacturing units, there are few criticisms by pointing out the principle of equal treatment for small and medium enterprises and it will bring a large number of SMEs in the tax net. Technologically innovative and other online startups differ treatment by states and confusing compliance also removed in GST. Reduction in unnecessary logistics costs will increase profits and efficiency for startups involved in the supply of goods through transportation. Finally, Indian economy bring one single market where goods can move freely as well as tussle free compliances to deal with for businesses/ startups to streamlining supply chains.

6.3 Labour law amendment, reforms and codification

Fostering conducive labour environment by protecting labour rights and harmonious labour relations facilitate ease of doing business and finally lead to higher productivity and economic growth. By considering the age-old labour laws in India and its rigidity, various legislative, administrative and e-governance initiatives have been taken by the government since job prospects in India has really grown up over

the years. Second National Commission on Labour also advocates the need for flexibility to encourage competitiveness and efficiency in the current wake of globalization (Datta & Milly, 2008). To the simplification of existing labour laws, labour codes were being formulated in four areas namely wages, industrial relations, social security and working conditions to strengthen safety and social security of workers by amalgamating all the existing labour laws. Moreover, wages code would unify the wage of a worker throughout the country across all sectors; the industrial relations code will amalgamate all industrial laws; social security code will provide workers with health insurance and pension; safety and working conditions code will ensure that a worker is secure at his workplace. It would simplify, amalgamate and rationalise the relevant provisions of the central labour laws.

The very recent legislative initiatives of the government on Bonus payment¹⁰, Payment of Wages¹¹, Maternity Benefit¹², Child Labour¹³, Employee Compensation¹⁴ etc is showing few examples of labour reform. Governance reforms such as ease of compliance to maintain registers¹⁵, model shops and establishment's bill, rationalisation of forms and reports etc. have been introduced recently. A model Shops and Establishments Bill, 2016 provides for freedom to operate an establishment for 365 days in a year without any restriction on opening/closing time and enables employment of women during night shifts if adequate safety provisions exist. Fixed Term Employment has been introduced under Industrial Employment (Standing Orders) Act, 1946 to impart flexibility to an establishment to employ people in case of Apparel Manufacturing Sector to meet the fluctuating demands of the sector due to its seasonal nature (GoI, 2017). These amendments, codifications and reforms would lead to ease of doing business and flexibility in labour laws ultimately provides confidence to keep nurturing the startups of India.

6.4 Overhaul of bankruptcy law

The government of India's stimulus push for the debt recovery from the defaulter shows India lacks an adequate framework to resolve non-performing loans in a timely manner. Poor rankings on the World Bank's Ease of Doing Business made things worse because non-performing assets had acquired an alarming proportion impacting the availability of credit needed to rejuvenate the economy. 3 trillion rupees of loans have been recognised as "non-performing" by banks in the past two quarters the vast bulk of them at Public

Sector Banks; 17% of all loans there have either been written off, provisioned for or categorised as impaired (The Economist, 2016). The multiplicity of laws dealing with insolvency is one of the reasons for the slow progress to provide an overarching framework to ensure resolution of all cases which would make India's one of the world's fastest-moving bankruptcy regimes. This law will enhance the ease of doing business and make life easy for a prospective entrepreneur who wishes to start a new venture.

The Insolvency and Bankruptcy Code, 2016 and came into force on 28th May 2016 and the main objective of Insolvency and Bankruptcy Code is to consolidate multiple laws and adjudicating authorities dealing with insolvency, bankruptcy, revival and/or liquidation of various entities including individual, partnership firms, corporate entities etc. The Insolvency and Bankruptcy Code 2016 sets out an 180-day deadline with a grace period of another 90 days (if majority 75% of creditors agrees) to resolve bankruptcy cases - currently it takes 4.3 years on average (The Economist, 2015). It has provisions for the fast track and / or voluntary closure of Startups through insolvency professional for Startups. Startups with simple debt structures or those meeting such criteria as may be specified may be wound up within a period of 90 days from making of an application for winding up on a fast track basis. It will definitely create a more business-friendly environment. Hence, reforms in bankruptcy laws can play an extremely crucial role in financial stability and enable an environment for the growth of India.

6.5 Formalisation process through big push

Other arguments remaining constant¹⁶, definitely demonetization had a potential to facilitate an environment that developed a formal culture in India's labour market. The Informal labour market in India is so wide approximately 90 percent had no changes over these years in nature, conditions and quality of employment; lack of proper remuneration mechanism and labour market distress remains pervasive. There has been an increased tendency to outsource, offload or subcontract in the Indian labour market and the

majority of the work is allotted without any written agreement or contract. Most of the industries are outsourcing their incidental/ancillary activities to avoid the direct connection between employer and employee (Dhanya M B, 2013). If we dig deeper, lack of labour reforms as the main reason that dissuade hiring of labour but as exploring the state which implemented labour reforms, the jobs created were vastly informal in nature. Hence, instead of these policy changes, there is needed to make a valiant effort at facilitating a widespread situation that will develop a formal culture in Indian labour markets. Of course, Demonetization made routing wages and salaries through bank accounts, electronic and mobile payments created a formal culture of employment. In addition, this also would force employers in the country to consider employment contracts. Demonetisation together with the amendments in the payment of wages act through cheques or by electronic modes made mandatory is another example for formalization of informal employment. Finally, demonetization pushed to labour reforms. The inter-linkages of demonetization effect are very vast when we connect it with digitalization and the financial inclusion for the long run.

6.6 Conclusion

New insolvency framework coupled with GST is being seen as an important piece of legislation to help to create a more business-friendly environment. This, in turn, boosts productivity in the economy at large and the successful implementations definitely restore the distortions in the monetary market equilibrium. Moreover, the interventions to correct the labour market distortions by labour law reforms and recent demonetization policies would definitely encourage startups/businesses to facilitate job opportunities and also would lead to conducive and trustworthy environment in future. These reforms and recommendations by highlighting the need for structural and functional rigidity or flexibility correcting both labour and monetary market distortions would facilitate ease of doing business to compete in international markets. The transitional economy is ready to getting momentum to reap the demographic dividend as well as the challenges in the future.

¹⁶ Short term effect of liquidity crunch, loss of growth momentum etc

CHAPTER VII

Conclusion and Public Policy Interventions to Promote Startups

7.1 Introduction

Among the different viewpoints over the definition of entrepreneurship, innovation is one the widely debated attributes supposed to be important for entrepreneurs as they are the market disrupters for which innovation of new technology, business model, idea or product is necessary. Drucker (1985) called entrepreneurship as an “innovative act, which includes endowing existing resources for new wealth-producing capacity.” Innovation is one the basis for the growth of startups in India. The linking of the Startup India programme with Atal Innovation Mission underlines the need for commercialization of the new innovative products through registration and patenting (Gokhle 2016). The advances in science and technology have increased the activities of patenting, licencing and innovation-based entrepreneurship. It is easier now to get funding through domestic and international sources for innovative products impacting the life at grass-root level. Easy access to information, higher internet speed and efficient business research have now made easier for the scientist and researchers; earlier confined

in their laboratories to spread awareness and commercialize their products through interaction between researchers and the entrepreneurs (Habiby and Coyle, 2010). Universities and other research institutions thus can play an important role in promoting innovation-based entrepreneurship e.g. Shantha Biotechnics started as a research outfit in Osmania University campus and subsequently able to commercialize India’s first low-cost Hepatitis B vaccine (Chakma et.al, 2011) and more examples are already explained in previous chapters.

It is evident that public policies are an effective tool to promote start-ups which facilitates the ease of doing business and promotes innovation and competence. Policies created a conducive ecosystem to do business, and this ecosystem worked in tandem with other sectors which are indirectly connected with start-ups. This included creating infrastructure, promoting awareness through education etc. An OECD report points of five major areas of direct policy intervention which are crucial for promoting start-ups. It is explained in table 7.1 below:

Table 7.1: Five major areas of direct policy intervention to promote Startups

Gap	Policy action	Types of actions/ programme
Funding gap	Closing funding gaps	Seed-capital programmes and borrowing for Start-ups, as well as incentives for the financial sector to work with start-ups, such as the promotion of venture capital, angel investor, etc. In recent years, countries have also introduced action to support crowd funding.
Information asymmetry	Facilitating linkages and providing services	Support services for start-uppers. In recent years, platform, mentoring network and collaborative work spaces have grown in number. They operate alongside traditional intermediary institutions like incubators and accelerators. New platforms to facilitate linkages between large firms and start-ups also emerged.
Absence of demand	Creating markets	The inclusion of start-ups in public procurement programmes and initiatives that challenge start-ups to provide innovative solutions.
Little tradition for business and innovation	Transforming mindsets	Action to raise awareness about start-ups (including prizes and events).
Legal and administrative barriers	Reforming legal frameworks	Legal and administrative reforms to suit the needs of start-ups, such as easier procedure from starting and winding up a business.

Source: OECD 2013

Reanalyzing into the OECD gap and policy action intervention to promote Startups, the type of action, the government of India have initiated discussed earlier whether it is for funding (seed funding & venture capital), information asymmetry (Startup India hub & website), absence of demand (relax norms of public procurements), the little tradition for business and innovation (awards to budding innovators & National Entrepreneur Award) or legal and administrative barriers (self-certification & Faster patent), confirm that Government tried to take action in all these areas. However, there is a need to reach out to the people. It is also noted that in the case of ease of doing business, the Government of India has ensured not only formulating well-informed policies but also has been focusing on implementation strategy. This is being acknowledged by World Bank in their study which mentions that the Government of India has established clear stakeholder feedback mechanisms which help to close the gaps between policy formulation and implementation (World Bank 2017).

In a competition-driven economy, for start-ups to flourish, the major thrust needs to be given

for innovation and technology-enabled, and technology-driven innovation dominates the trend. This is evident from the fact that India is the second largest ecosystem in the world. The box below shows the macro-trend in this regard. Deep technology companies play a leading role in providing a techno-based solution to a large number of enterprises.

Startup Landscape of India

- The Second largest startup ecosystem in the world
- Approximately 20,000 startups in India including 4,750 are technology-led startups
- 1400 new start-ups incorporated in 2016 alone (3-4 tech startups born every day)
- 100K talent employed in start-ups
- Bengaluru, NCR, Mumbai accounts for 70% of the total start-ups
- USD 3.8 -4.0 Billion funding in 2016

Source: Startup India Website & NASSCOM 2016

But still, there are few suggestions highlighted from the studies along with recommendations are as follows:

7.2 Recommendations and interventions:

1. Incubation offered by universities provides startups with working spaces, assistance in the proper documentation for company registration, industry leader interaction and seed financing – all under one roof. The role of research organizations is to minimize the information asymmetry about the various kinds of government policies and strategies under different socio-economic arrangements. However, the link between these university incubators along with the outside startups through a platforms will definitely facilitate for knowledge transformation. Another key suggestion emerged from the field study is that to avoid the information asymmetry, there should be a Startup Community developed with the collaboration of startups in the same sectors to receive support, motivation and sharing of learning.
2. In a competition-driven economy, for start-ups to flourish, the major thrust needs to be given for the knowledge platforms which connects each startup to share knowledge and collaborate instantly and also it can share the formal and informal information in a single location. Even though the platforms are existing for startups and in the application procedure applicant have to submit links to their website, any videos and press cover of entity, most of the links are either nonfunctional or not providing sufficient information.
3. In the field survey, it is noted that due to lack of knowledge and understanding about the financing of startups, the budding entrepreneurs are not able to raise capital adequately at the right time. Moreover, the dearth of information regarding the relevant documents and the process of applications to start a business is another issue. Hence, there is a need for the requirement of spreading massive awareness programmes for the effective implementation of startup initiatives.
4. Regarding the functioning of the incubators, in an interview with an executive director, many problems have been raised. There is no legal document in a uniform way to follow and various

institutions follow a different kind of practices appropriate to their requirements. Also, there is no benchmark which should be followed for either mentorship, seed funding, extending infrastructure or linkages with other investors. Consequently, there is need to provide a legal information or proper guidelines/document to follow in a uniform practice which should be applicable to all the incubators so that the transparency in the system will lead ease of doing business, and will help newly budding incubators to take decisions quickly, especially those from the interior parts of the country.

- Streamlining of incubators particularly, on seed funding required to be analysed, e.g. if we assume in the form of equity, how would you define equities and on what per cent; how do you evaluate the innovative idea in terms of the worth of that idea in commercial terms. Proper research is required to draft the guidelines applicable to all institutions.
 - The term 'social enterprise' required to be defined more clearly since in social sector defining the enterprise is more complicated and it requires research work for articulation.
 - Regarding the right mentors, there is no clarity or platform for giving mentorship according to each startup concerned in their sectors and it mostly depends on informal networking. Some of the international organisations have chapters in Delhi and Chennai and charges much higher. There is an urgent need to make networking of the experts available in each sector, and also it should be made available to various parts of the country for mentorship. So, the lobby of the international organisation and the public institutions spending the much higher cost for their services can be minimized if there is more formal, disciplined transparency in mentorships, otherwise, informality does not work well and it can go into its dynamics.
5. Entrepreneurial education at the school and university setting can help in creating awareness of self-employment as a viable career option. Hence, all the universities and schools should involve 'entrepreneurship and innovation' as part of its curriculum accordingly.
 6. There needs to be an emphasis not only on the skill development of the employees but also a quick and effective way of disseminating information regarding the latest innovations taking place. The pace at which changes are taking place in each sector, the startups are not able to cope with these changes as there is no dedicated effort to conduct research and disseminate knowledge at a mass scale. This means that entrepreneurs continue to use outdated modes of technology, driving the cost of production upwards, with productivity remaining stagnant thereby increasing the financial burden. There is a need for the coordination of innovation happening among startups in each sector, and this information should be made available to those who want to establish a new startup. It will provide the entrepreneurs to know about the marketability and further innovation. More emphasis needs to be given on research and development so that not only the startups know the latest innovations but also the startups know how to maximize the potential for development in that sector provides.

7.3 Conclusion

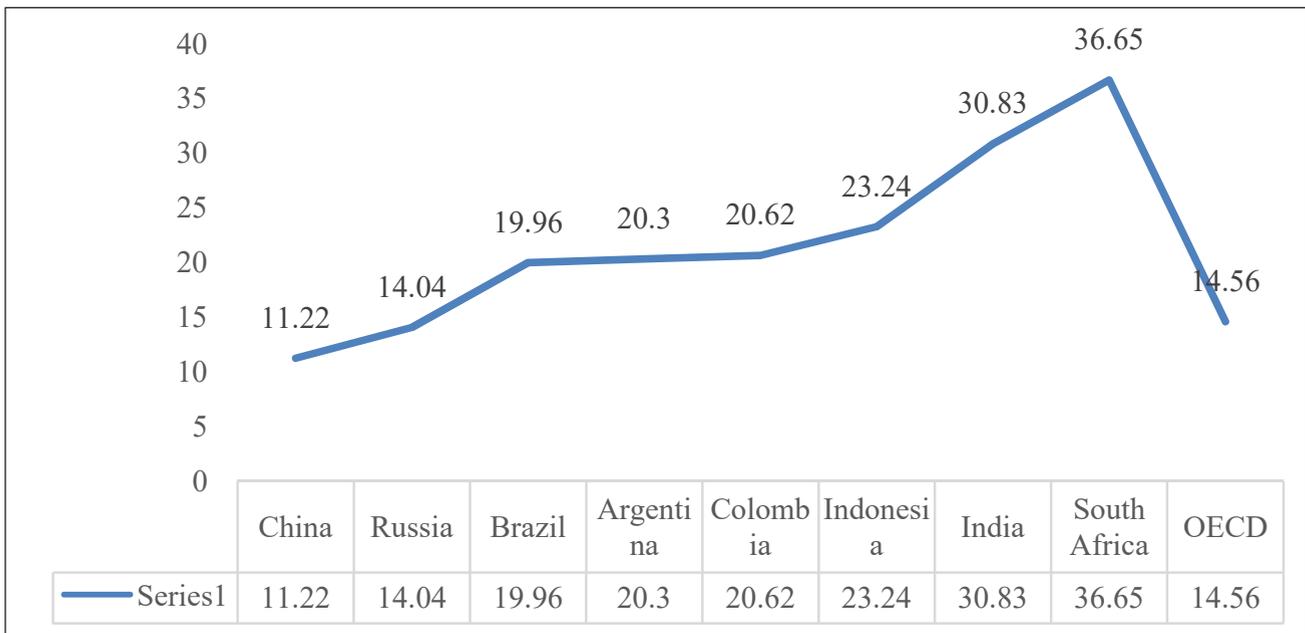
The Economic survey 2018-19, clearly explains that small firms in India never grow, instead of infant firms that have the potential to grow and become giants rapidly. Firms with less than 100 workers despite being more than ten years old, account for more than half of all organized firms in manufacturing by number, their contribution to employment is only 14 per cent and to productivity is a mere 8 per cent. In contrast, large firms (more than 100 employees) account for three-quarters of such employment and close to 90 per cent of productivity despite accounting for about 15 per cent by number. There is also evidence from the field survey that among the sample startups even though sample is few, already functional some years before as an enterprise is having less employment generation when compared with the new firms. However, among the total sample startups, it is evident that there is an increase in employment at present while comparing with the establishment time. The increasing number of

business incubators providing seed-stage support to start-ups is one of the major reasons for the growth of start-ups in the country (The Hindu 2016). The educational platforms are creatively used for talent identification and interest of the private sector towards such initiatives is a welcome trend in this regard.

While considering the youngest nation of the world with 72% founders less than 35 years, Indian startups endeavours have recently brought in a surge of huge employment opportunities among the youth. There were 4750 startups in 2016 (DIPP, 2016), and this number reached 20,000 by 2019. Moreover, there is evidence from the field survey that the generation of employment due to startups ecosystem is valid. A process of action and innovation response towards establishing a new enterprise or a firm is the main vehicle for socio-economic development. It is often considered as the major source of new ideas to foster innovations. Hence, startup initiative is aimed to foster innovation, create employment and facilitate investment.

Appendix I:

Figure 1: Growing NEET rate among youth in major countries (Percent)



Source: OECD Economic Survey: India 2017.

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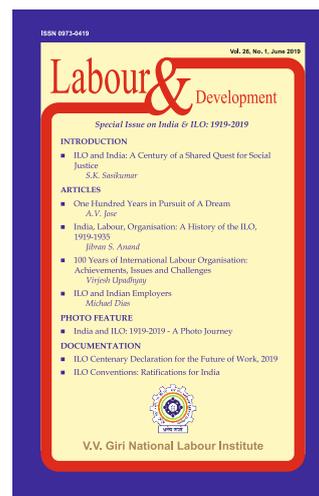
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